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# Tri-Cities Airport Commission

Blountville, Tennessee

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## **A Joint Venture of**

Bristol, TN

Bristol, VA

Johnson City, TN

Kingsport, TN

Sullivan County, TN

Washington County, TN



TRI-CITIES REGIONAL AIRPORT  
t e n n e s s e e • v i r g i n i a

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012

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# TRI-CITIES AIRPORT COMMISSION

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# Introduction

- Vision and Mission
- Commissioners and Senior Staff
- Letter of Transmittal
- Certificate of Achievement
- Organizational Chart



TRI-CITIES REGIONAL AIRPORT  
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# Tri-Cities Airport Commission

## Tri-Cities Regional Airport, TN/VA

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### **Vision**

To be a premier air transportation center  
and a catalyst for economic growth

### **Mission**

To support economic growth by providing the best  
available facilities and service for passengers,  
air cargo, corporate and general aviation



TRI-CITIES REGIONAL AIRPORT  
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# **TRI-CITIES AIRPORT COMMISSION**

## **COMMISSIONERS & SENIOR STAFF**

**As of June 30, 2012**

### **Airport Commissioners**

**Ken Maness, Chairman**  
**Mayor Jim Rector, Vice-Chairman**  
**Joe L. Wilson, Secretary-Treasurer**  
**Dr. Frank Anderson, Assistant Secretary-Treasurer**  
**James "Moe" Brotherton**  
**Jeff Broughton**  
**Mayor Dan Eldridge**  
**Mayor Steve Godsey**  
**Dr. Sam Humphreys**  
**Dan Mahoney**  
**Mayor Jane Myron**  
**J. Parker Smith**

### **Airport Senior Staff**

**Patrick W. Wilson, Executive Director**  
**William J. Anderson, Director of Finance**  
**David Jones, Director of Operations**  
**Melissa Thomas, Director of Marketing & Air Service Development**  
**Kathy Yakley, Manager of HR & Administrative Services**  
**Mark Canty, Trade Development Specialist**



≈≈≈ Letter of Transmittal ≈≈≈

December 13, 2012

**To the Members of the Tri-Cities Airport Authority:**

This "Comprehensive Annual Financial Report" (CAFR) of the Tri-Cities Airport Authority for the year ended June 30, 2012 is hereby submitted. This report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Blackburn, Childers & Steagall, PLC.

The Accounting Department of the Tri-Cities Airport Authority has prepared this report and assumes full responsibility for the accuracy of the data, and the completeness & fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the proprietary fund of Tri-Cities Airport Authority.

The CAFR is presented in four sections: (i.) the Introductory Section, which is unaudited, contains the Airport's vision and mission statements, a list of the Tri-Cities Airport Authority's appointed officials and key staff members, and the "Letter of Transmittal"; (ii.) the Financial Section includes the independent's auditors' report, the "Management's Discussion and Analysis" of the financial condition of the Authority, the financial statements and notes to the statements and the supplementary information; (iii.) the Statistical Section includes selected unaudited financial and demographic information; and, (iv.) the Compliance section includes the Auditor's report on compliance and Internal Control over financial reporting in accordance with Government Auditing Standards and with the U. S. Office of Management and Budget Circular A-133.

The CAFR was prepared using the guidelines set forth by the Government Finance Officer's Association of the United States and Canada (GFOA) to be eligible for application of the Certificate of Achievement Award. The guidelines require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a "Management Discussion and Analysis" (MD&A). This "Letter of Transmittal" should be read in conjunction with the MD&A that is located in the Financial Section.

## REPORTING ENTITY

For the entire fiscal year FY2012, beginning July 1, 2011 and ending June 30, 2012, the Tri-Cities Regional Airport TN/ VA was legally structured as an airport commission. On September 25, 2012, the Charter Application of Tri-Cities Airport Authority was filed with, and acknowledged by, the Secretary of State of the State of Tennessee. On November 9, 2012 the Owners of the Tri-Cities Regional Airport TN/VA took the action necessary to create the Tri-Cities Airport Authority. The Tri-Cities Airport Authority adopted, ratified, and agreed to be bound by all contracts, agreements, leases, memoranda of understanding, and other legal obligations which allowed the Owners and the Tri-Cities Airport Commission to manage and operate and oversee all Airport operations, duties, and functions.

The Tri-Cities Airport Authority is jointly owned and administered by six cities and counties. The Airport Authority is charged with the responsibility of directing the development, operation, maintenance, control and administration of the Tri-Cities Regional Airport, TN/VA.

The Airport Authority is composed of twelve persons, each with one vote. Each owner of the Airport is entitled to appoint a specified number of Commissioners as follows:

<u>Governmental Entity</u>	<u>Ownership</u>	<u>Representation</u>
Washington County, Tennessee	20 percent	3 Commissioners
City of Johnson City, Tennessee	20 Percent	3 Commissioners
Sullivan County, Tennessee	20 Percent	2 Commissioners
City of Kingsport, Tennessee	20 Percent	2 Commissioners
City of Bristol, Tennessee	10 Percent	1 Commissioner
City of Bristol, Virginia	10 Percent	1 Commissioner

The officers of the Authority consist of a Chairman, Vice-Chairman, a Secretary-Treasurer, and an Assistant Secretary-Treasurer. The Authority currently has five standing committees. These committees are advisory in nature but are authorized to make decisions that are binding on the full Authority with prior approval by the Authority. The current committees are: Executive Committee, Administration/Operations Committee, Marketing Committee, Airfield Development Committee, and the Air Cargo and Trade Development Committee.

## **MANAGEMENT**

The Airport Authority hires an executive director to head up the management of the Airport. The executive director oversees a staff of 44 full-time and 21 part-time employees, as of June 30, 2012. The staff is responsible for the day-to-day administrative, financial, operational and personnel matters relating to the Tri-Cities Regional Airport TN/VA.

There are eleven departments overseeing the activities at the Tri-Cities Regional Airport. The Executive Director, Patrick Wilson, heads the Administrative Department and oversees the operations, marketing, finance and air cargo & trade development departments.

Mr. David Jones, Director of Operations, oversees the access control, janitorial, maintenance, public safety and engineering services departments. The Operations department also ensures that the Airport complies with FAA standards and regulations. The Operations department is also responsible for preparing state and federal grant applications and coordinates the efforts of engineers, consultants, and others to complete the design and construction of all capital improvement projects at the Airport.

Bill Anderson, Director of Finance, oversees all accounting functions, including the Airport's budgets, audits, payables, receivables, payroll and all financial reporting. All financial obligations and/or indebtedness are handled in the finance department.

Melissa Thomas, Director of Marketing and Air Service Development, oversees the marketing department handling advertising, public and airline relations and marketing the Airport to passengers and prospective airlines. She also oversees the Airport Services staff, supervised by Karen Weaver, who assists passengers and provides business and services in the terminal.

Kathy Yakley, Manager of Human Resources and Administrative Services, is responsible for employee relations and benefits, retirement programs and property administration.

Mark Canty, Air Cargo & Trade Development Specialist, is responsible for promoting air cargo, administration of Foreign Trade Zone No. 204, development and maintenance of programs and initiatives designed to foster international trade, and marketing and promotion of the U.S. Customs station within the Tri-Cities Region.

## THE AIRPORT TODAY

Tri-Cities Regional Airport is centrally located between the Tennessee cities of Bristol, Kingsport, Johnson City, and Bristol, Virginia and serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky. The Tri-Cities region is strategically located within a day's drive of more than 70 percent of the nation's population.

The region offers a wide range of market benefits including a 60-mile trade population of approximately 1 million, a large manufacturing sector, exceptional interstate highway network and 27 regional industrial parks with more than 2,500 acres of developable property.

The Airport's property covers approximately 1,250 acres of land, 89 acres in easements, and a 113,532-sf passenger terminal building with ample short-term and long-term parking, passenger services, national rental car brands, restaurant and bar, gift shop, business center and free wireless internet.

A 13,000-sf Air Cargo Logistics Center houses US Customs & Border Protection Port #2027 and Foreign-Trade-Zone #204. The site includes a 485 ft. x 360 ft. cargo ramp, 75-ft-wide taxiway system, speculative building space, and a 35-acre development area with direct airfield access.

Port #2027, a federally staffed, full-service customs station, allows for passengers and imported goods to clear Customs in the Tri-Cities and avoid congestion and delays common at larger Ports of Entry.

A fixed based operator (FBO) is housed on Airport property to accommodate private and corporate aircraft operations. The FBO serves as the point-of-entry for customers who are not using commercial airline service and provides aircraft storage, fuel and maintenance services.

As the physical link between passengers and the air transportation network, the Airport Authority strives to provide air service to meet passenger demand. Historically, Tri-Cities' passenger base has been business oriented, and that trend is expected to continue. However, with the addition of low fare service to Florida destinations, the percentage of leisure traffic is expected to grow in the future.

TRI offers three scheduled airlines serving passengers through four connecting hubs and leisure destinations. Delta Connection provides service to Atlanta, US Airways Express serves Charlotte, and Allegiant offers service to Orlando & St. Petersburg/Clearwater.

## **ECONOMIC CONDITIONS AND OUTLOOK**

### *Airport*

Historically, passengers traveling on business have accounted for approximately 60 percent of the customer base. While that percentage has varied through the years depending on fare levels, TRI's air service and fare structure continue to be geared toward business travel, providing the stability to weather economic downturns. However, with a business market and only three network carriers, TRI is subject to higher fares and potentially vulnerable to airline bankruptcies and mergers.

During the 2012 fiscal year, passenger aircraft loads increased 10.3%, which was due primarily to a 5.9% reduction of available aircraft seats. Net passenger traffic increased 3.3% above FY 2011. On September 27, 2011 the Department of Transportation awarded a Small Community Air Service Development Grant amounting to \$250,000. The grant will be used to attract additional air service to the Tri-Cities region.

### *National & Local Economy*

The Tri-Cities Airport Authority uses quarterly data produced by the East Tennessee State University Bureau of Business and Economic Research to monitor national and regional economic conditions. The following information was obtained from reports released by this organization.

Retail performance continued to recover during 2012 in the United States and the State of Tennessee. Nationally, dollar sales volume increased for the tenth quarter in a row – adjusted for inflation, real sales were higher by 2.7% during the second quarter of 2012. In Tennessee, sales volume was 2.7% above 2011 levels, marking the ninth quarter of real growth in retail activity.

Over the April to June 2012 period, retail sales performance in the Tri-Cities Combined Statistical Area (CSA) increased .4% to \$1,692 million.

Labor market conditions improved in the metro area during the second quarter 2012. Employment increased by .5% to 233,651, while unemployment fell by 13.1% to 18,409. The improved job picture is clearly reflected by employment changes among the local industry sectors. Job growth was led by professional & business services, followed by leisure & hospitality, education & health services, retail trade, manufacturing, construction and finance.

Generally, national and local economic improvements support passenger increases in air travel. Thus, due to improved economic conditions, travel trends at Tri-Cities Regional Airport continued to show increasing passenger numbers.

## **CAPITAL PLANNING**

Through the Airport's master planning process, the Authority lays out a Capital Improvement Program on a rolling five-year basis. Most of these projects are funded from federal and state grant funds generated from federal and state aviation user fees. A Capital Improvement Program is prepared annually for a five-year period outlining project descriptions and funding sources. Priorities are set in conjunction with the Airport's Master Plan. The priorities for FY 2012 were as follows:

- 1) Safety and security for all users of the Airport;
- 2) Projects deemed to meet air carrier passenger needs and demands;
- 3) Projects deemed to meet demands of general aviation, corporate, and cargo users;
- 4) Implement projects that will generate new revenue sources; and,
- 5) Implement projects that will maximize all sources of funding availability.

## **FINANCIAL INFORMATION**

### Internal Controls

Management of the Tri-Cities Airport Authority is responsible for establishing and maintaining an internal control structure designed to ensure that: (i.) the assets of Tri-Cities Airport Authority are protected from loss, theft or misuse; (ii.) to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles; and, (iii.) that federal financial assistance programs are managed in compliance with applicable laws and regulations.

The Airport Authority applied the concept of reasonable assurance in establishing internal controls. These assurances recognize that: (i.) the cost of a control should not exceed the benefits likely to be derived; and (ii.) the valuation of costs and benefits requires estimates and judgments by management.

As part of the Tri-Cities Airport Authority's single audit, tests were made of the Airport Authority's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although an opinion on the Airport Authority's internal control system or its compliance with laws and regulations was not given, the audit for the year-ended June 30, 2012 disclosed no material internal control weaknesses or material violations of laws and regulations.

### Operating Budget

An annual operating budget is prepared and approved by the Tri-Cities Airport Authority. All appropriations for operating expenditures lapse at the end of the fiscal year and must be reappropriated for the following year. A Capital Projects Budget is approved annually with the appropriated funds remaining intact until completion of the project.

The Tri-Cities Airport Authority continues to meet its responsibility for sound financial management. The Airport Authority is self-supporting through user fees of the Airport and has not received local tax dollars since 1967.

## **CASH MANAGEMENT POLICIES**

The Investment Policy of the Airport Authority sets the criteria for surplus funds. The Airport Authority consolidates cash balances from all funds to maximize investment earnings. The primary objectives of investment activities are safety, liquidity, and yield.

The Tri-Cities Airport Authority is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years, except as set out in Tennessee state law. Investments may also be made in the Tennessee State Pooled Investment Fund and in repurchase agreements with state approval.

## **RISK MANAGEMENT**

The Tri-Cities Airport Authority is fully insured and carries insurance coverage with commercial insurance carriers in amounts sufficient to meet the Airport Authority's reasonable exposure. All tenants and lessees are required to carry specified amounts of insurance coverage, naming the Airport Authority as an additional insured. All contractors engaged in construction projects are required to meet minimum requirements as specified in the bid documents.

In addition to the insurance policies carried by the Airport Authority, a restricted investment account was established in 1987 as a self-insurance contingency fund to cover any claims not covered by insurance.



## **OTHER INFORMATION**

### Independent Audit

As required by state statutes, the Tri-Cities Airport Authority requires an annual independent audit by a Certified Public Accountant. The selection is administered by the Administration/Operations Committee with final approval by the full Authority. The firm of Blackburn, Childers & Steagall, PLC was selected to perform the independent audit for the year ending June 30, 2012. The audit is also used to meet the requirements and all revisions of the federal Single Audit Act of 1984, and the related U. S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards were used by the auditors in conducting their audit.

The auditor's report on the financial statements is included in the Financial Section of this report. Their independent auditor's report on internal controls and compliance with applicable laws and regulations are located at the end of the internal control and compliance section.

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities Airport Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 13<sup>th</sup> consecutive year that the airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

We would like to take this opportunity to thank the Airport Authority for their leadership and support in planning and conducting the financial operations of the Airport. We would also like to recognize the efforts of the senior staff, David Jones, Melissa Thomas, Kathy Yakley, and Mark Canty for their contributions to this financial report. A special thanks is given to the accounting department staff, Janice Lynch, Tim Cartwright, and Teresa Acklin for their hard work and dedication.

Respectfully submitted,



Patrick W. Wilson  
Executive Director



William J. Anderson, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Tri-Cities Airport Commission  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

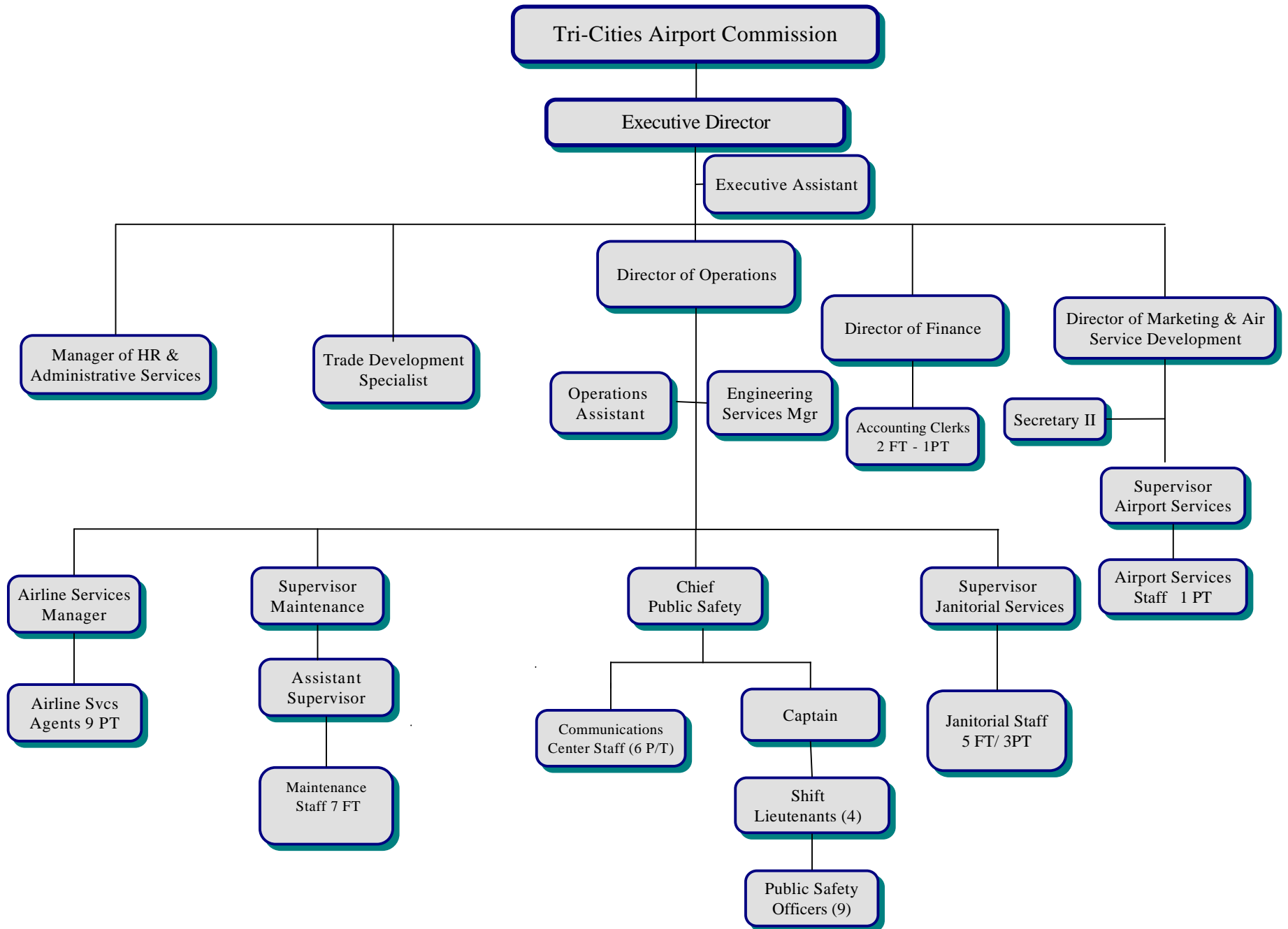
President

*Jeffrey R. Emer*

Executive Director

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# TRI-CITIES AIRPORT COMMISSION ORGANIZATION CHART



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## Financial

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplemental Schedule
- Supplemental Schedules



TRI-CITIES REGIONAL AIRPORT  
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Tri-Cities Airport Commission  
Blountville, Tennessee

Basic Financial Statements

With

Independent Auditors' Report

And

Supplemental Information

For the Fiscal Year Ended June 30, 2012



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners  
of the Tri-Cities Airport Commission  
P.O. Box 1055  
Blountville, Tennessee 37617

We have audited the accompanying basic financial statements of the Tri-Cities Airport Commission as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the management of the Tri-Cities Airport Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Tri-Cities Airport Commission as of June 30, 2012, and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

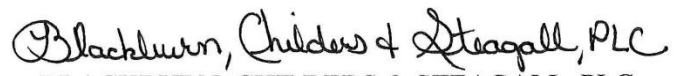
In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012, on our consideration of the Tri-Cities Airport Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 25 - 36 and page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

To the Honorable Commissioners  
of the Tri-Cities Airport Commission  
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supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-Cities Airport Commission's basic financial statements as a whole. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 20, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The following Management Discussion and Analysis (MD&A) of the Tri-Cities Regional Airport, TN/VA's activities and financial performance provides an overview of the Tri-Cities Airport Commission's basic financial statement for the fiscal year ended June 30, 2012. The Tri-Cities Airport Commission is the governing entity operating the Tri-Cities Regional Airport, TN/VA as of June 30, 2012. This MD&A should be read in conjunction with the "Letter of Transmittal" included in the Introduction Section and the Commission's financial statements following this section.

### **Overview of the Financial Statements**

The Financial Section of this annual report consists of five parts: (i.) Management's Discussion and Analysis (MD&A); (ii.) the Basic Financial Statements; (iii.) Required Supplementary Information; (iv.) Statistical Schedules; and, (v.) an optional section that presents Schedules of Federal and State Awards and Passenger Facility Charge Activity.

The Tri-Cities Airport Commission is a special-purpose government with only business-type activities. The Basic Financial Statements include proprietary fund financial statements, which offer short-term and long-term financial information about the activities of the Tri-Cities Airport Commission.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and other schedules that further explain and support the information in the basic financial statements.

Required financial statements include the: (i.) Balance Sheet; (ii.) Statement of Revenues, Expenses and Changes in Net Assets; and, (iii.) Statement of Cash Flows. The financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. All assets and liabilities, both financial and capital, and short-term and long-term are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of timing of related cash flows. The accompanying notes to the financial statements enhance the reader's understanding of the Airport Commission's accounting policies.

## Airport Activity Highlights

Airport Passenger Activity during FY 2012 increased by 3.3 percent compared to FY 2011 as the economy continued to expand. Total aircraft operations were up by 4.3% due primarily to an increase in General Aviation flight operations. Aircraft landed weights and airline seats were down 6.4% and 5.9%, respectively, due to reduced airline flights. Air Cargo activity decreased 19.3% due to competition from truck freight haulers.

The following table shows the increases and decreases from the previous fiscal year.

<u>Activity</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>% of Change</u>
Passengers	446,549	432,398	3.3%
Aircraft Operations	52,988	50,799	4.3%
Aircraft Landed Weights (lbs.)	276,067	295,022	- 6.4%
Seating Capacity	582,380	619,138	- 5.9%
Mail	768	2,479	- 69.0%
Air Freight	153,941	129,059	19.3%

The following airlines serving Tri-Cities Regional Airport, TN/VA:

**Delta Connection** offers the majority of flights and seats at TRI. Delta provides an average of nine flights per day to Atlanta aboard 50 seat regional jets.

**US Airways Express** has an average of six daily round-trip flights to Charlotte aboard 50-passenger Embraer and Canadair regional jets and the de Havilland Dash 8 turboprop seating 50 passengers.

**American Eagle** began two daily flights direct to Chicago's O'Hare International Airport on July 2, 2010 on 44 seat regional jets. This service ended February 1, 2012.

**Allegiant Air** began low fare service to Orlando in May 2007 aboard 150-seat MD-80 jets. Service was then expanded to St. Petersburg - Clearwater in November 2008.

## Financial Position

The overall financial position of the Airport Commission improved with a 3.2% increase in total net assets. This increase was primarily due to continued capital contributions.

Operating Income before depreciation and amortization was down 7.3% from 2011 largely because of an increase in operating expenses of 4.8% from 2011.

Capital contributions received from federal and state grants were down \$3.133 million from last year.

## Summary of Changes in Net Assets

	Year Ended June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues	\$6,160,383	\$5,896,264	\$5,693,560
Operating Expenses	<u>5,422,576</u>	<u>5,347,016</u>	<u>5,101,080</u>
Operating Income before Depreciation & Amortization	737,807	549,248	592,480
Less: Depreciation & Amortization	<u>3,332,671</u>	<u>3,161,663</u>	<u>3,066,865</u>
Operating Loss	(2,594,864)	(2,612,415)	(2,474,385)
Non-Operating Revenues (Expenses)	<u>1,253,169</u>	<u>936,264</u>	<u>809,692</u>
Loss before Capital Contributions	(1,341,695)	(1,676,151)	(1,664,693)
Capital Contributions	<u>4,821,258</u>	<u>3,640,905</u>	<u>6,774,016</u>
<b>Change in Net Assets</b>	<b><u>\$3,479,563</u></b>	<b><u>\$1,964,754</u></b>	<b><u>\$5,109,323</u></b>

## Operating and Non-Operating Revenue Highlights

Operating revenues are generated from the tenants and/or "users" of the Airport through airfield charges, terminal rents, concession revenue, parking fees, and other sources.

Non-operating revenue is made up of unrestricted and restricted funds. Unrestricted revenue comes from interest income, investment gains, and other sources not resulting from operations. The restricted revenue is generated for a defined purpose and cannot be used to fund operating expenses. The current restricted revenues are Passenger Facility Charges and Customer Facility Charges.

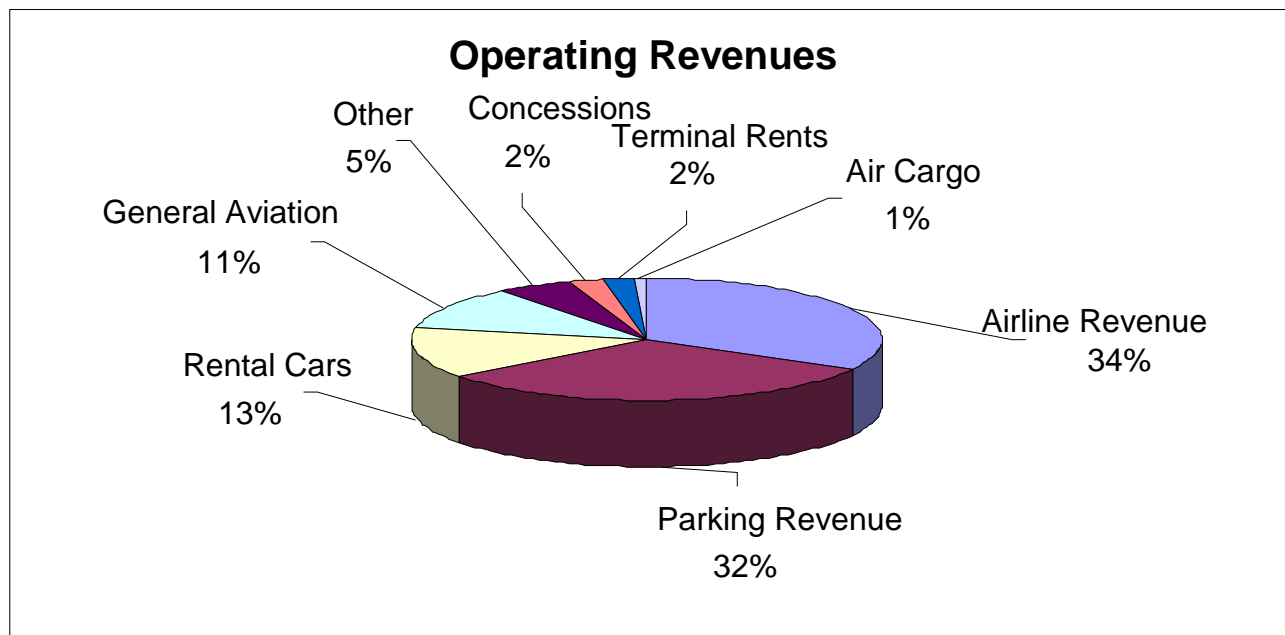
The Airport Commission develops an operating budget and capital improvement budget each year. Operating revenues are generated to first fund operating expenses. Any net operating revenues are then transferred to the reserve accounts to fund the Airport's portion of capital projects. Any net revenues after capital projects are placed in the operating reserves.

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2012, 2011 and 2010:

	<b>Year Ended June 30,</b>		
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Operating Revenues:</b>			
Airline Revenue	\$2,004,798	\$1,952,081	\$1,868,451
General Aviation	728,727	669,528	668,549
Air Cargo	61,615	51,394	79,123
Parking	1,945,375	1,858,862	1,704,348
Rental Cars	873,378	792,309	764,671
Concessions	108,222	136,885	136,192
Terminal Rents	126,718	127,132	120,151
Other	311,550	308,073	352,075
<b>Total Operating Revenues</b>	<b><u>\$6,160,383</u></b>	<b><u>\$5,896,264</u></b>	<b><u>\$5,693,560</u></b>
<b>Non-Operating Revenues:</b>			
Interest Income	17,660	31,380	69,405
Gain on Sale of Land to State of TN	241,712	-	-
Other Gains on Sale of Assets	29,485	-	-
Passenger Facility Charges	884,120	879,296	790,497
Customer Facility Charges	379,825	355,410	307,017
<b>Total Non-Operating Revenues</b>	<b><u>\$1,552,802</u></b>	<b><u>\$1,266,086</u></b>	<b><u>\$1,166,919</u></b>
<b>TOTAL REVENUES</b>	<b><u>\$7,713,185</u></b>	<b><u>\$7,162,350</u></b>	<b><u>\$6,860,479</u></b>
<b>Capital Contributions:</b>			
Federal Grant Revenue	\$1,730,504	\$2,580,825	\$5,170,594
State Grant Revenue	3,090,754	1,060,080	1,603,422
<b>Total Capital Contributions</b>	<b><u>\$4,821,258</u></b>	<b><u>\$3,640,905</u></b>	<b><u>\$6,774,016</u></b>



The following chart shows the sources of operating revenue and percentage of operating revenues for the year ended June 30, 2012.



Operating Revenues increased by \$264,119 from \$5,896,264 to \$6,160,383.

✈️ Airline revenue was up by 2.7% or \$52,717 on revenues of \$2,004,798 due to an expanding economy and increased Jetway use and increased terminal rents.

✈️ Parking revenues were up 4.7% or \$86,513 due primarily to increased passenger traffic.

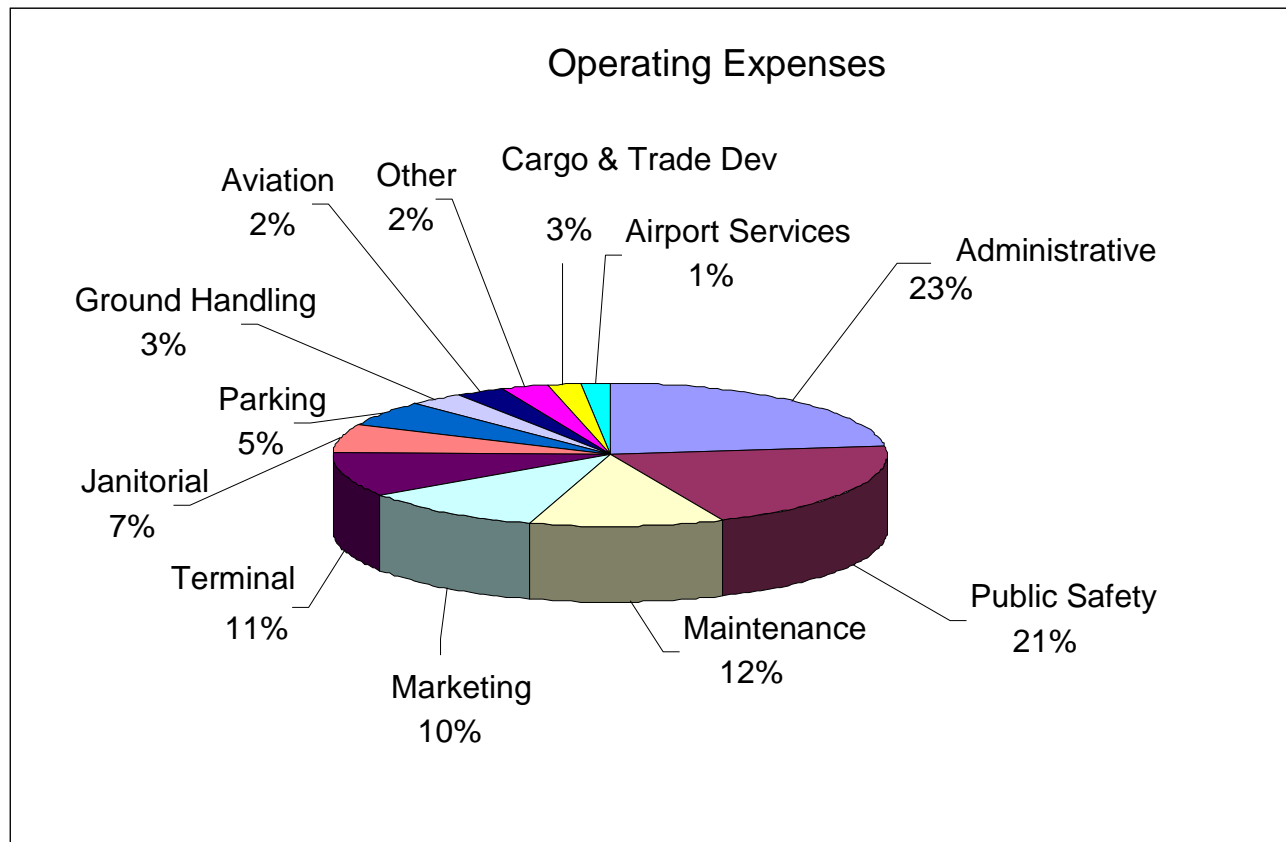
✈️ Rental Car revenue was up \$81,069 or 10.2% largely because of increased passenger traffic.

## Operating Expenses:

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2012 and 2011:



Operating Expenses:	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Change from 2011</u>	<u>Percent Change from 2011</u>
Administrative	1,224,196	1,227,135	(2,939)	-0.2%
Public Safety	1,133,463	1,093,412	40,051	3.7%
Maintenance	661,658	603,412	58,246	9.7%
Terminal	575,948	539,292	36,656	6.8%
Marketing	544,560	574,471	(29,911)	-5.2%
Janitorial	361,721	340,479	21,242	6.2%
Parking	288,181	300,153	(11,972)	-4.0%
Ground Handling	176,667	180,606	(3,939)	-2.2%
Cargo & Trade Dev	136,209	137,352	(1,143)	-0.8%
Other	125,494	118,903	6,591	5.5%
Aviation	121,151	147,235	(26,084)	-17.7%
Airport Services	<u>73,328</u>	<u>84,566</u>	<u>(11,238)</u>	<u>-13.3%</u>
<b>Total Operating Expenses</b>	5,422,576	5,347,016	75,560	1.4%

The following pie chart shows the Airport Commission's expenses by category and the percentage of operating expenses for the year ended June 30, 2012.









### Operating Expenses Highlights:

Operating Expenses were up by \$75,560 or 1.4% as compared to the previous year. Variation analysis of the Operating Expenses revealed:

-  Terminal expenses were up \$36,656 or 6.8% primarily due to increased electricity costs and IT equipment repairs and replacements.
-  Aviation area expenses were down by \$26,084 or -17.7% due to reduced utility costs and snow & ice expenses.

## Operating Expenses Highlights: (Continued)

-  Maintenance costs were up \$58,246 or 9.7% due largely to increased staffing costs.
-  Public Safety costs were up \$40,051 or 3.7% due primarily to increased training, officer's uniforms, access control, and general personnel expenses.
-  Janitorial expenses were up \$21,242 or 6.2% due primarily to increased staffing expenses.
-  Marketing expenses were down \$29,911 or -5.2% largely to reduced marketing initiative and advertising costs.
-  Parking expenses were down \$11,972 or -4.0% due primarily to reduced staffing costs.
-  Airport Services expenses decreased by \$11,238 due to reduced staffing costs associated with the elimination of the airport's post office.

## Financial Position Summary

The Balance Sheet presents the financial position of the Airport at the end of the fiscal year. The statement includes all assets and liabilities of the Airport. Net assets are the difference between the total assets and total liabilities.

A condensed summary of the Airport Commission's total net assets for the fiscal years ended June 30:

	<b>Year Ended June 30,</b>		
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Current Assets	\$ 4,356,522	\$ 3,821,822	\$ 3,745,911
Capital Assets (net)	65,977,059	63,979,535	62,853,137
Restricted Noncurrent Assets	2,860,121	2,861,602	2,852,157
<b>Total Assets</b>	<b><u>\$73,193,702</u></b>	<b><u>\$70,662,959</u></b>	<b><u>\$69,451,205</u></b>
Current Liabilities	\$2,316,146	\$2,452,426	\$2,465,317
Noncurrent Liabilities	4,374,502	5,187,042	5,927,151
<b>Total Liabilities</b>	<b><u>\$6,690,648</u></b>	<b><u>\$7,639,468</u></b>	<b><u>\$8,392,468</u></b>

## Financial Position Summary (Continued)

Year Ended June 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net assets invested in capital assets, net of related debt	\$61,201,867	\$58,312,190	\$56,595,863
Restricted Net Assets	898,414	819,966	754,568
Unrestricted Net Assets	4,402,773	3,891,335	3,708,306
<b>Total Net Assets</b>	<b><u>\$66,503,054</u></b>	<b><u>\$63,023,491</u></b>	<b><u>\$61,058,737</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$73,193,702</u></b>	<b><u>\$70,662,959</u></b>	<b><u>\$69,451,205</u></b>

### Airline Rates and Charges

The Airport Commission establishes airline rates and charges based on an annual review of projected airline activity and associated operating expenses. The Commission's rate setting philosophy incorporates a terminal rental rate calculated in a compensatory manner, in which the tenants pay only for their share of the facility occupied and used. The landing fee is based on an airfield residual cost center approach wherein the passenger and cargo carriers pay the net costs of the airfield, after receiving credit for airfield-related general aviation revenues.

The previous operating agreement with the air carriers expired June 30, 2007. In May 2010, the Airport Commission established the following interim rates and charges. The Airport is currently working with the air carriers on the development of a new airline operating and use agreement.

#### Signatory Airline Rates and Charges

Terminal Square Foot Rate per year	\$32.20
Landing Fee (per 1,000 lbs MGLW)	\$ 1.94
Apron Fee, per Turn	\$ 7.47
Public Safety Reimbursement	50% of Public Safety Budget

## **Capital Acquisitions and Construction Activities**

During fiscal year 2012, several capital improvement projects were started and completed. Listed below are some of the major projects.

### **Completed Projects**

The General Aviation Terminal Building was rehabilitated and substantially completed in the spring of 2012 and included replacement of the HVAC system components, new restrooms and lobby finishes, additions and upgrades to the exterior entrances to comply with codes and ADA, along with security access control improvements. The south aviation development area received a new Aircraft Hangar to accommodate a minimum of two medium size aircraft. The hangar included a new ramp, with access to the airfield, office areas set up for potentially two separate flight operations, hangar aircraft storage operations space, vehicle parking, security access controls and pilot flight planning accommodations. The terminal building Access Control Improvements project was completed in the spring of 2012 and included upgrading the terminal and air carrier ramp area security access controls, with new security cameras and entrance door controls. The communication center work area in the terminal building tower cab was upgraded with new windows, cabinetry, flooring and access control hardware and software. The general aviation North Ramp Plane Port project was completed in the winter of 2011 and included the installation of a metal plane port to accommodate storage of ten small aircraft. The project included the installation of concrete foundation piers, structural steel framing, siding and roofing, electrical lighting and ramp pavement markings. The Airport completed two CFC projects for the rental car facilities, including the painting upgrade of the four 10,000 gallon gasoline fuel tanks used by the rental car maintenance facility and the installation of a snow dam system on the rental car ready lot canopies and the rehabilitation of the canopy drainage system.

### **Current Projects**

The airport began a multi-year airfield safety project to extend Taxiway R to the end of Runway 5; creating a full parallel taxiway on the south side of the primary Runway 5/23. The Taxiway R Extension and Hamilton road Reconstruction project should be completed in the fall of 2013. The project will include relocating a portion of Hamilton Road to accommodate the extension of Taxiway R. The road relocation work will include clearing and grubbing, grading, asphalt paving, storm sewer and utility installation. The second part of the project will be the Taxiway R Extension project, which will include grading, storm sewer installation, asphalt paving, taxiway edge lights, and pavement markings. The Airport began the Runway 5/23 Rehabilitation project in the fall of 2012 and should complete the project in the late fall of 2013. This major runway safety rehabilitation project includes the asphalt surface milling and paving of the entire primary runway surface, pavement markings and grooving the new asphalt surface for drainage. The runway electrical improvements include the installation of new LED lights for the runway centerline and touch down zone lights, new runway edge lights, conduits and electrical regulator improvements. The project also includes the installation of storm sewer under drains, runway asphalt, shoulders, conduit duct bank

installation to accommodate future airfield electrical needs and paving taxiway intersections as need for proper drainage and safety. The airport Master Plan document should be completed by the end of the calendar year. The Master Plan project includes analysis of airport passenger and facilities demand/capacity/alternatives, financials, an airport layout plan and updating an Exhibit A property map, along with public meetings and presentations to the Commission. The Master Plan forecast was approved by the FAA in March 2010. The airport continues with design for an In-Line Baggage Screening project, which includes the installation of a new mini In-Line baggage system to be located on the lower level of the airport terminal building. The TSA funded project will serve the airline ticketing area bag make up, distribution and the TSA baggage screening operations.

Capital expenditures are funded from a variety of funding sources. Those funding sources include federal entitlement and discretionary grants, state grants, PFC revenue, CFC revenue, bond proceeds and Airport revenues. Additional information on the Airport's capital assets can be found in Note 6 – Capital Assets and Depreciation, of the notes to the financial statements.

## **Debt Administration**

The Tri-Cities Airport Commission is a joint venture between four cities and two counties and does not have the Commission to borrow funds. In July of 1995, one of the owners of the Airport, Sullivan County, Tennessee, issued \$7 million in airport revenue and tax bonds, series 1995. These funds were to be used to fund several capital projects. These bonds are to be paid first from passenger facility charges (currently, \$4.50 fee per enplaned passenger), second from all other revenues and reserves of the Airport, and third from the Owners of the Airport. The funds were used for terminal improvements, the safety area expansion, and site preparation for the Southside development.

In August 2003, Sullivan County, Tennessee, on behalf of the Airport Commission, entered into a \$5 million Airport Revenue and Tax Bonds (Taxable) Series 2003. The average coupon rate is 5.54 percent with annual debt service of approximately \$432 thousand dollars. The bonds will mature in twenty years.

The outstanding debt as of June 30, 2012 was \$5,135,000.

In the notes to the financial statements, Note 9 – Long-Term Debt, describes the bonds in more detail and reflects a summary of the repayment structure.

## **Passenger Facility Charge (PFC)**

The Tri-Cities Airport Commission received approval from the FAA to implement a Passenger Facility Charge (PFC) for \$3.00 per enplaned passenger beginning February 1997 for a total of \$8.5 million. The PFC is used to improve airport facilities. In August 1999, the PFC was amended to reduce the first portion to \$5.6 million in collections and to add two additional projects requiring collections of \$5.8 million. In August 2007 the PFC was increased to \$4.50, with two additional projects totaling \$668,500 million and a total combined Commission of PFC collections of \$11.190 million.

## **Customer Facility Charges (CFC)**

A Customer Facility Charge (CFC) is a fee charged on each rental car contract that must be used to pay rental car bond debt service and to maintain rental car facilities. A \$6 per contract fee was enacted on November 1, 2002. Due to a decrease in rental contract activity, this rate was increased to \$7 per contract in January 2005 and then to \$9 in August 2010. As of June 30, 2012, the airport's rental car concessionaires had collected \$2.945 million in Customer Facility Charges.

## **Economic Factors**

On a year-to-year basis, 2011 to 2012, job levels increased .7% in Johnson City, .4% in Bristol, and .1% in Kingsport. Unemployment declined in all three cities. The jobless rate was 7.3% in Bristol, 7.2% in Johnson City, and 7.2% in Kingsport but rose 4.2% in Johnson City. Matching the regional pattern, labor market conditions have improved in the three cities during each of the past nine years in a row.

## **Acknowledgments**

This financial report is designed to provide a general overview of the Tri-Cities Airport Commission's finances for all interested parties. Questions concerning this report or requests for additional information should be directed to Bill Anderson, Director of Finance, Tri-Cities Airport Commission, 2525 Highway 75, Suite 301, Blountville, TN 37617, telephone (423) 325-6007, or e-mail address of [banderson@triflight.com](mailto:banderson@triflight.com).



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## Basic Financial Statements



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TRI-CITIES AIRPORT COMMISSION  
BALANCE SHEET  
June 30, 2012

ASSETS

CURRENT ASSETS

Cash on Hand	\$ 2,865
Cash in Bank - Checking	1,036,033
Restricted Assets	
Cash in Bank - Passenger Facility Charges	320,696
Cash in Bank - Customer Facility Charges	161,151
PFC Receivable	108,406
Cash in Bank - Escrow	160,161
Accounts Receivable - Operations (Net of Allowance, \$61,630)	703,172
Grants Receivable	1,796,688
Prepaid Expenses	<u>67,350</u>
Total Current Assets	<u>4,356,522</u>

NONCURRENT ASSETS

Capital Assets	
Land	14,938,571
Construction in Progress	6,854,917
Runways and Roads	65,986,077
Parking Lot	4,936,487
Terminal Building	16,104,086
Other Buildings	10,438,463
Equipment and Vehicles	9,573,542
Master Plans	612,712
Less: Accumulated Depreciation	<u>(63,467,796)</u>
Net Capital Assets	65,977,059
Restricted Assets	
Cash on Deposit with other Governmental Entities - Construction	104,006
Cash on Deposit with other Governmental Entities - Debt Service Reserve	1,058,760
Certificates of Deposit	1,083,076
Certificates of Deposit - Passenger Facility Charges	469,312
Certificates of Deposit - Customer Facility Charges	51,018
Utility Deposits	2,318
Equipment Deposits	27,575
Bond Issue Costs (Net of Accumulated Amortization, \$119,256)	<u>64,056</u>
Total Noncurrent Assets	<u>68,837,180</u>

TOTAL ASSETS	<u><u>\$ 73,193,702</u></u>
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(Continued)

TRI-CITIES AIRPORT COMMISSION  
BALANCE SHEET  
June 30, 2012

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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable - Operations	\$ 216,057
Accounts Payable - Construction	866,188
Retainage Payable	185,778
Accrued Expenses	26,000
Accrued Interest	43,915
Accrued Wages	50,422
Accrued Compensated Absences	142,786
Bonds Payable	<u>785,000</u>

Total Current Liabilities	<u>2,316,146</u>
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NONCURRENT LIABILITIES

Bonds Payable	4,350,000
Deferred Bond Refunding	(24,201)
Deposits from Leasees	7,250
Accrued Compensated Absences	8,318
Unearned Revenue	<u>33,135</u>

Total Noncurrent Liabilities	<u>4,374,502</u>
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TOTAL LIABILITIES	<u>6,690,648</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	61,201,867
Restricted - Passenger Facility Charge	898,414
Unrestricted	<u>4,402,773</u>

TOTAL NET ASSETS	<u>66,503,054</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 73,193,702</u></u>
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The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

OPERATING REVENUES

Airline Revenue	
Landing Fees	\$ 595,025
Rents	1,409,773
Total Airline Revenue	<u>2,004,798</u>

Non-Airline Revenues

General Aviation	728,727
Air Cargo	61,615
Parking Revenue	1,945,375
Rental Car Revenue	873,378
Terminal Concessions	108,222
Terminal Space Rents	126,718
Other Revenues	311,550
Total Non-Airline Revenues	<u>4,155,585</u>

Total Operating Revenues	<u>6,160,383</u>
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OPERATING EXPENSES

Aviation Area

Utilities	29,348
Maintenance - Buildings	20,828
Power Vault - Diesel Fuel and Maintenance	5,081
Runway, Taxiway and Field Maintenance	25,037
Lighting and Electrical Maintenance	12,811
Field and Gate Maintenance	3,207
Snow and Ice Control	12,236
Ramps and Aprons	2,486
Equipment Rental	1,874
Environmental Compliance	8,243
Total Aviation Area	<u>121,151</u>

Terminal Area

Electricity	304,417
Heating Fuel	16,433
Water and Sewer	54,631
Telephone	10,585
Electrical Maintenance	10,233
HVAC Maintenance	22,395
Building Repairs and Parts	27,447
Plumbing	9,446
Equipment and Furnishings	5,783
Roadway, Parking Lots and Field Maintenance Expense	48,188
Elevator Contract	33,475
Trash Removal Contract	18,926
Other Contractual Services	13,989
Total Terminal Area	<u>575,948</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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OPERATING EXPENSES (CONTINUED)

Air Cargo Center		
Utilities		16,794
Heating Fuel		1,455
Trash Removal		1,088
Repairs and Maintenance		<u>3,036</u>
Total Air Cargo		<u>22,373</u>
Other Properties		
Office Annex		
Utilities	21,864	
Heating Fuel	2,613	
HVAC Maintenance	130	
Building Repairs	<u>883</u>	
Total Office Annex	<u>25,490</u>	
Other Property - Land and Buildings	<u>2,394</u>	
Total Other Properties		<u>27,884</u>
General Area - Public Safety		
Salaries		638,691
FICA Contributions and Unemployment		49,301
Retirement		97,425
Insurance		152,161
General Personnel Expense		31,987
Fire Hall Expense		14,550
Security - Parking and Identification		4,734
Medical Supplies		1,583
Vehicle Fuel		22,504
Supplies		11,021
Equipment Maintenance		25,709
Training		26,386
Uniforms		10,108
Dues and Subscriptions		895
Office Supplies		2,491
Telephone		4,992

(Continued)

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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OPERATING EXPENSES (CONTINUED)

General Area - Public Safety (Continued)

Access Control	35,720
Seminars / Conferences	2,175
Medical and Psychological Testing	1,030
Total General Area - Public Safety	<u>1,133,463</u>

General Area - Maintenance

Salaries	342,097
FICA Contributions and Unemployment	25,666
Retirement	65,066
Insurance	111,701
General Personnel Expense	5,276
Utilities	15,098
Heating Fuel	1,673
Repairs and Maintenance	33,407
Gas and Oil	29,317
Small Tools	7,219
Uniforms - Maintenance	6,062
Supplies	11,399
Training	7,677
Total General Area - Maintenance	<u>661,658</u>

General Area - Janitorial

Salaries	224,655
FICA Contributions and Unemployment	16,681
Retirement	32,873
Insurance	41,286
General Personnel Expense	4,652
Supplies	36,244
Repairs and Maintenance	513
Uniforms	3,703
Snow Removal and Other	1,114
Total General Area - Janitorial	<u>361,721</u>

General Area - Airport Services

Salaries	54,091
FICA Contributions and Unemployment	4,114
Retirement	6,674
Insurance	5,377
General Personnel Expense	338
Supplies	1,786
Uniforms	853
Training	95
Total General Area - Airport Services	<u>73,328</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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OPERATING EXPENSES (CONTINUED)

Marketing	
Salaries	148,419
FICA Contributions and Unemployment	11,212
Retirement	27,253
Insurance	21,604
General Personnel Expense	2,297
Advertising	4,264
Research and Development	18,375
Consulting Services	47,882
Marketing Initiative	210,291
Program Materials	20,010
Airline Relations	2,162
Community Relations	2,083
Travel	13,884
Professional Affiliations	618
Office Supplies	14,206
Total Marketing	<u>544,560</u>

Administrative	
Salaries	512,390
FICA Contributions and Unemployment	38,598
Retirement	98,453
Medical Insurance	74,376
General Personnel Expense	14,385
Accounting	44,308
Legal	63,859
Insurance	237,885
Dues and Subscriptions	18,730
Engineering Services	4,097
Consulting Services	17,408
Office Supplies	24,634
Telephone	15,186
Maintenance	8,851
Seminars and Conferences	15,295
General Administrative Expense	23,054
Postage and Handling	2,787
Miscellaneous Equipment	9,900
Total Administrative	<u>1,224,196</u>

(Continued)



TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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OPERATING EXPENSES (CONTINUED)

Air Cargo and Trade Development

Foreign Trade Zone

Marketing Initiatives	3,356
Contract Services	9,000
Professional Affiliations	1,300
Total Foreign Trade Zone	<u>13,656</u>

Administrative

Travel / Auto	5,871
Supplies, Furniture and Fixtures	1,654
Total Administrative	<u>7,525</u>

Personnel

Salaries	61,517
FICA Contributions and Unemployment	4,618
Medical Insurance	14,846
General Personnel Expense	449
Retirement Expense	11,225
Total Personnel	<u>92,655</u>

Total Air Cargo and Trade Development	<u>113,836</u>
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Parking

Salaries	161,808
FICA Contributions and Unemployment	16,540
General Personnel Expense	14,253
Uniforms	674
Supplies	712
Ticket and Printing Expense	5,079
Office Supplies	6,814
Repairs and Maintenance	3,091
Liability Insurance	300
Utilities	6,791
Postage and Freight	483
Telephone	3,424
Recruiting	325
Financial Services	1,899
Credit Card Discount	35,223
Miscellaneous	5,529
Management Fee	25,236
Total Parking	<u>288,181</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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OPERATING EXPENSES (CONTINUED)

Engineering	
Salaries	14,974
FICA Contributions and Unemployment	5,056
Retirement	13,014
Insurance	9,888
General Personnel Expense	498
Supplies	845
Equipment Maintenance	1,131
Miscellaneous	1,393
Training and Seminars	34
Dues and Subscriptions	420
Total Engineering	<u>47,253</u>

RAC Service Facility

Utilities	<u>50,357</u>
Total RAC Service Facility	<u>50,357</u>

Ground Handling Services

Salaries	132,475
FICA Contributions and Unemployment	9,904
Retirement	9,689
Insurance	9,895
General Personnel Expense	4,663
Supplies	437
Equipment and Maintenance	5,920
Miscellaneous	3,684
Total Ground Handling Services	<u>176,667</u>

Total Operating Expenses	<u>5,422,576</u>
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(Continued)

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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Operating Income before Depreciation and Amortization	737,807
Less: Depreciation	3,319,171
Amortization	<u>13,500</u>
Operating Loss	<u>(2,594,864)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	17,660
Interest Expense	(299,633)
Proceeds on Sale of Assets	29,485
Proceeds on Sale of Land to State of Tennessee	241,712
PFC Revenue	884,120
CFC Revenue	<u>379,825</u>
Total Nonoperating Revenues (Expenses)	<u>1,253,169</u>
Loss before Capital Contributions	<u>(1,341,695)</u>
CAPITAL CONTRIBUTIONS	
Federal Grant Revenue	1,730,504
State Grant Revenue	<u>3,090,754</u>
Total Capital Contributions	<u>4,821,258</u>
CHANGE IN NET ASSETS	3,479,563
TOTAL NET ASSETS, JULY 1	<u>63,023,491</u>
TOTAL NET ASSETS, JUNE 30	<u><u>\$ 66,503,054</u></u>

The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012

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CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 5,971,326
Cash Payments to Suppliers for Goods and Services	(1,868,890)
Cash Payments to Employees for Services	(2,425,125)
Cash Payments for Employee Benefits	(1,060,836)
Cash Payments for Insurance	<u>(237,684)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>378,791</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(5,320,481)
Proceeds from Sale of Assets	29,485
Proceeds from Sale of Land to State of Tennessee	241,712
Capital Grants Received	4,321,741
PFC Funds Received	913,460
CFC Funds Received	379,825
Interest Paid	(296,105)
Principal Paid on Long-Term Debt	<u>(750,000)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(480,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(12,019)
Interest Received	<u>17,660</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,641</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(95,931)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	<u>2,939,603</u>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	<u><u>\$ 2,843,672</u></u>

(Continued)

TRI-CITIES AIRPORT COMMISSION  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012

RECONCILIATION OF OPERATING LOSS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (2,594,864)
Adjustments	
Depreciation	3,319,171
Amortization	13,500
(Increase) Decrease in Assets	
Accounts Receivable	(160,655)
Prepaid Insurance Expense	201
Increase (Decrease) in Liabilities	
Accounts Payable	(36,154)
Accrued Expenses	2
Accrued Vacation	(32,849)
Accrued Wages	(93,137)
Accrued Compensation	(8,022)
Deferred Revenue	(28,402)

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 378,791

RECONCILIATION TO BALANCE SHEET

Cash on Hand	\$ 2,865
Cash in Bank - Checking	1,036,033
Cash in Bank - Passenger Facility Charges	320,696
Cash in Bank - Customer Facility Charges	161,151
Cash in Bank - Escrow	160,161
Cash on Deposit with other Governmental Entities - Construction	104,006
Cash on Deposit with other Governmental Entities - Debt Service Reserve	1,058,760

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 2,843,672

The accompanying notes are an integral part of these basic financial statements.

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## Notes to the Basic Financial Statements



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TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Tri-Cities Airport Commission (the Commission) is reported as an enterprise fund, a proprietary fund type to account for the operation of the Airport facility. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)* statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Commission has elected not to implement FASB ASC issued thereafter, unless they are adopted by GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges to customers for services. Reimbursements of operating expenses by the federal and state governments are reported as operating revenues. Operating expenses for the Commission include the cost of sales and services, administrative expenses, and amortization and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets are held to satisfy bond principal and interest sinking fund requirements, insurance claims greater than coverage, or are otherwise held for certain capital improvement projects.

Accounts Receivable

Accounts receivable are reported at the net realizable amounts from third-party payors, leasee payments, and other services rendered. Accounts receivable are reported net of an allowance for uncollectible amounts. The allowance for uncollectible amounts is based on prior collection history of receivables, known collection risks and environmental factors, including the age of the receivables.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, runways, parking lots, and similar items), are defined by the Commission as assets with an initial individual cost of \$3,000 and greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Runways, Roads, etc.	20 years
Parking Lot	20 years
Terminal Building	30 years
Other Buildings	30 years
Equipment and Vehicles	5-20 years

Investments and Cash Equivalents

Investments are recorded at fair values as determined by quoted market prices at the balance sheet date. Investments that have an original maturity of three months or less are considered cash equivalents for purposes of the Statement of Cash Flows.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the term of the bond issue.

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations on their use by external restrictions imposed by other governments, creditors or grantors.

Budgets

Under the by-laws of the Commission, management must submit an annual operating budget to the Tri-Cities Airport Board of Commissioners for approval. In addition, management must submit to the Commissioners annually a capital improvements budget.

The Commission is not required to demonstrate statutory compliance with annual operating or capital improvements budgets. Accordingly, budgetary data is not included in the basic financial statements. Unexpended appropriations lapse at year end.

NOTE 2 - GENERAL INFORMATION

The Commission is jointly owned and administered by the following governmental agencies:

	<u>Ownership</u>	<u>Representation</u>
Washington County, Tennessee	20 Percent	3 Commissioners
City of Johnson City, Tennessee	20 Percent	3 Commissioners
Sullivan County, Tennessee	20 Percent	2 Commissioners
City of Kingsport, Tennessee	20 Percent	2 Commissioners
City of Bristol, Tennessee	10 Percent	1 Commissioner
City of Bristol, Virginia	10 Percent	1 Commissioner

A separate enterprise fund is maintained for the Commission and the owners do not record any balances for the Commission.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash on the Balance Sheet and Statement of Cash Flows include cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. There are some certificates of deposit that have an original maturity of greater than three months. These are shown as noncurrent restricted assets.

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Certificates of Deposit are covered by Federal Deposit Insurance Corporation (FDIC) insurance or by the state collateral pool. The Commission is exposed to concentration of credit risk by placing its deposits in financial institutions. To mitigate custodial credit risk, the Commission ensures that bank balances within excess of the FDIC coverage are held in financial institutions which are members of the State of Tennessee bank collateral pool to ensure excess balances are fully collateralized at all times.

DEPOSITS - All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the fair value of uninsured deposits. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 110% of the fair value of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

NOTE 4 - DEBT SERVICE RESERVE

The debt service account was funded from restricted assets of the Commission. The cash is on deposit with the Sullivan County Trustee and is to be invested in an interest bearing account. These monies are to be used only to the extent that the funds in the principal and interest account are insufficient to cover principal and interest requirements for the bonds described in Note 9.

NOTE 5 - PREPAID EXPENSES

Payments made for insurance that will benefit periods beyond June 30, 2012 are recorded as prepaid. Prepaid expenses consisted of the following:

Insurance	<u>\$67,350</u>
Total Prepaid Expenses	<u>\$67,350</u>

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital Asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 13,545,395	1,419,674	(26,498)	14,938,571
Construction in Progress	10,577,897	3,796,635	(7,519,615)	6,854,917
Total Capital Assets, Not Being Depreciated	24,123,292	5,216,309	(7,546,113)	21,793,488
Capital Assets, Being Depreciated				
Runways and Roads	60,675,884	5,310,193	-	65,986,077
Parking Lot	4,932,987	3,500	-	4,936,487
Terminal Building	14,295,182	1,808,904	-	16,104,086
Other Buildings	10,328,959	109,504	-	10,438,463
Equipment and Vehicles	9,159,144	414,398	-	9,573,542
Master Plans	612,712	-	-	612,712
Total Capital Assets, Being Depreciated	100,004,868	7,646,499	-	107,651,367
Accumulated Depreciation				
Runways and Roads	(37,727,274)	(1,897,560)	-	(39,624,834)
Parking Lot	(1,772,766)	(230,068)	-	(2,002,834)
Terminal Building	(8,353,513)	(502,760)	-	(8,856,273)
Other Buildings	(4,719,684)	(300,382)	-	(5,020,066)
Equipment and Vehicles	(7,104,461)	(373,440)	-	(7,477,901)
Master Plans	(470,927)	(14,961)	-	(485,888)
Total Accumulated Depreciation	(60,148,625)	(3,319,171)	-	(63,467,796)
Net Capital Assets, Being Depreciated	39,856,243	4,327,328	-	44,183,571
Net Capital Assets	\$ 63,979,535	9,543,637	(7,546,113)	65,977,059

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 7 - RESTRICTED ASSETS

The Commission established a self-insurance contingency fund during the fiscal year ended June 30, 1987. The plan required initial funding of \$500,000. During the fiscal year ended June 30, 1990, an additional \$200,000 was added. Funding for successive years is subject to majority vote of the Commission. Withdrawals from the fund will only be allowed by a two-thirds vote of the Commission. The balance in the money market and certificates of deposit at June 30, 2012 is \$1,083,076.

Money received from the airlines for passenger facility charges is restricted for use on capital improvement projects approved by the Federal Aviation Administration or to repay debt associated with these projects.

A customer facility charge assessed on rental car contracts is restricted for use on capital improvement projects associated with the rental car enterprises.

Cash on deposit with other governmental entities is restricted for use on capital improvement projects.

Cash on deposit is restricted for use on payment of construction escrows.

NOTE 8 - ACCRUED COMPENSATION

Employees earn 40 hours of vacation at the completion of six months of service; 80 additional hours after completion of one year; 120 hours after five years, 160 hours after 12 years; and 200 hours after 25 years of continuous employment. Vacation time is awarded on the anniversary date and should be used during the year; however, unused vacation time of up to 120 hours can be carried forward into the next year. The carry forward amount cannot accumulate for more than a one year period and the carry forward balance cannot exceed 120 hours at any time.

Employees earn one sick day per month to a maximum of 10 per year. An unlimited number of days may be accumulated toward retirement; however, no lump sum payment will be made by the Commission for accumulated sick days.

Employees, excluding supervisors and senior staff, may accumulate additional leave for overtime hours worked in lieu of immediate payment. This amount is accrued at the present pay rate multiplied by those hours, which are adjusted to reflect time and a half.

NOTE 9 - LONG-TERM DEBT

Airport Revenue and Tax Refunding, Series 2003 Bonds

The \$5,540,000 Airport Revenue and Tax Refunding bonds, Series 2003, were issued August 1, 2003 by Sullivan County, Tennessee for the purpose of providing funds to refinance in advance of its maturity the Commission's outstanding Airport Revenue and Tax Bonds, Series 1995 dated July 1, 1995, maturing May 1, 2015.

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 9 - LONG-TERM DEBT (CONTINUED)

Airport Revenue and Tax Refunding, Series 2003 Bonds (Continued)

The bonds are payable primarily from and secured by a pledge and assignment of PFC and operating revenues from the Commission. The bonds will mature serially each May 1, beginning May 1, 2004 and ending May 1, 2015. Interest rates are scheduled and vary from 3.25% to 4.35%. Interest payments are due semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, beginning November 1, 2003.

Airport Revenue and Tax, Series 2003 Bonds

On August 1, 2003, Sullivan County, Tennessee issued \$5,000,000 of Airport Revenue and Tax Bonds, Series 2003, for the purpose of providing funds to construct improvements to the Airport, consisting of, but not limited to, the construction of additional parking facilities, construction of a rental car Ready/Return Area, construction of a rental car service facility, and construction of a new cargo center in and for the Airport, and to pay the costs incident thereto and costs incident to the issuance, sale and delivery of the bonds.

The bonds are payable primarily from and secured by a pledge and assignment of CFC and operating revenues from the Commission. The Bonds will mature serially each May 1, beginning May 1, 2005 and ending May 1, 2023. Interest rates vary from 4.25% to 5.80%. Interest payments are due semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, beginning November 1, 2003.

Total Airport Revenue and Tax bonds debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Annual Interest	Total Debt Service
2013	\$ 785,000	263,488	1,048,488
2014	820,000	228,816	1,048,816
2015	845,000	191,777	1,036,777
2016	275,000	152,290	427,290
2017	285,000	137,440	422,440
2018-2022	1,715,000	402,160	2,117,160
2023	410,000	23,780	433,780
	<u>\$ 5,135,000</u>	<u>1,399,751</u>	<u>6,534,751</u>

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 9 - LONG-TERM DEBT (CONTINUED)

Airport Revenue and Tax Refunding bonds, issued August 1, 2003, debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2013	\$ 550,000	72,360	622,360
2014	570,000	49,673	619,673
2015	585,000	25,447	610,447
	\$ 1,705,000	147,480	1,852,480
	\$ 1,705,000	147,480	1,852,480

Airport Revenue and Tax bonds issued, August 1, 2003, debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2013	\$ 235,000	191,128	426,128
2014	250,000	179,143	429,143
2015	260,000	166,330	426,330
2016	275,000	152,290	427,290
2017	285,000	137,440	422,440
2018-2022	1,715,000	402,160	2,117,160
2023	410,000	23,780	433,780
	\$ 3,430,000	1,252,271	4,682,271
	\$ 3,430,000	1,252,271	4,682,271



TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 9 - LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	\$ 5,885,000	-	(750,000)	5,135,000	785,000
Compensated Absences	191,975	98,060	(138,931)	151,104	142,786
Total Long-Term Liabilities	<u>\$ 6,076,975</u>	<u>98,060</u>	<u>(888,931)</u>	<u>5,286,104</u>	<u>927,786</u>

NOTE 10 - PENSION PLAN

PLAN DESCRIPTION

Employees of the Commission are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Commission participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 10 - PENSION PLAN (CONTINUED)

FUNDING POLICY

The Commission has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll.

The Commission is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2012 was 18.13% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Commission is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the fiscal year ending June 30, 2012, the Commission's annual pension cost of \$378,316 to TCRS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period.

The Commission's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$378,316	100.00%	\$0
June 30, 2011	\$372,940	100.00%	\$0
June 30, 2010	\$348,867	100.00%	\$0

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 10 - PENSION PLAN (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 83.84% percent funded. The actuarial accrued liability for benefits was \$7.64 million, and the actuarial value of assets was \$6.41 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.24 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.89 million, and the ratio of the UAAL to the covered payroll was 65.35% percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar Amounts in Thousands)

	(a)	(b)	(b) - (a)	(a/b)	( c )	((b-a)/c)
		(AAL)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(UAAL) Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/11	\$ 6,408	\$ 7,643	\$ 1,235	83.84%	\$ 1,891	65.35%
07/01/09	\$ 5,296	\$ 5,342	\$ 46	99.14%	\$ 2,041	2.24%
07/01/07	\$ 5,043	\$ 5,100	\$ 57	98.88%	\$ 1,904	2.99%

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 11 - RISK MANAGEMENT ACTIVITIES

The Commission carries insurance coverage through ACE and Cincinnati Insurance Company for general liability, commercial property, business automobile liability, and business interruption/loss of income. Workers compensation insurance is provided through USAIG. Additional coverage for public officials is provided by AIG.

The Commission has an investment account restricted as a self-insurance contingency fund to cover any claims not covered by insurance. There have been no claims paid from this fund over the past eight fiscal years (See Note 7). In addition, the Commission provides medical insurance through United Healthcare. No portion of health insurance is self-funded. No settlements exceeded insurance coverage for each of the past seven fiscal years.

NOTE 12 - LITIGATION

The Commission is involved in various legal proceedings arising in the normal course of business. To the extent the outcome of such litigation has been determined to result in probable loss to the Commission, such loss for which the Commission is responsible for funding has been accrued in the accompanying financial statements. Litigation where loss to the Commission is reasonably possible has not been accrued; however, the Commission and Attorney for the Commission have identified a single event which is both probable and measurable. The Commission's legal Counsel estimates such loss to total \$75,000.

The Commission holds a private insurance policy which has an aggregate deductible of \$25,000; therefore, the Commission has accrued \$25,000 that is the maximum liability to the Commission.

The Commission and Attorney for the Commission believes that, with the exception in the above paragraph, the various asserted claims and litigation will not materially affect its financial position, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

TRI-CITIES AIRPORT COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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NOTE 13 - DISADVANTAGED-OWNED BUSINESS EXPENSES

The Commission's disadvantaged-owned business goals were as follows:

<u>Project</u>	<u>Goal</u>	<u>Actual</u>
AIP-3-47-004-53	4.90%	2.10%
AIP-3-47-004-54	5.30%	7.30%
AIP-3-47-004-55	4.30%	3.50%
AIP-3-47-004-60	4.90%	7.20%
AIP-3-47-004-62	4.90%	5.50%

NOTE 14 - ECONOMIC DEPENDENCY

The Commission obtains substantially all of its funding for capital projects and improvements from grants provided by the Federal Aviation Administration and State of Tennessee Department of Transportation Aeronautics Division.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Commission has entered into approximately \$8,900,000 of construction contract commitments that had begun and were in-process at fiscal year-end 2012. These construction contract commitments will be paid primarily with capital grants.

NOTE 16 - SUBSEQUENT EVENTS

On September 25, 2012, the Charter Application of Tri-Cities Airport Authority was filed with, and acknowledged by, the Secretary of State of Tennessee. On November 9, 2012, the Owners of the Tri-Cities Regional Airport TN/VA took the action necessary to create the Tri-Cities Airport Authority. The Tri-Cities Airport Authority adopted, ratified, and agreed to be bound by all contracts, agreements, leases, memoranda of understanding, and other legal obligations, which allowed the Owners and the Tri-Cities Airport Commission to manage and operate and oversee all Airport operations, duties, and functions.

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## Required Supplemental Schedule



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TRI-CITIES AIRPORT COMMISSION  
SCHEDULE OF FUNDING PROGRESS  
For the Year Ended June 30, 2012

(Dollar Amounts in Thousands)						
	(a)	(b)	(b) - (a)	(a/b)	( c )	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	(AAL) Actuarial Accrued Liability	(UAAL) Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/11	\$ 6,408	\$ 7,643	\$ 1,235	83.84%	\$ 1,891	65.35%
07/01/09	\$ 5,296	\$ 5,342	\$ 46	99.14%	\$ 2,041	2.24%
07/01/07	\$ 5,043	\$ 5,100	\$ 57	98.88%	\$ 1,904	2.99%

The statute governing TCRS allows the Board of Trustees to reestablish the unfunded accrued liability for actuarial gains and losses. For the July 1, 2011 actuarial valuation, the Board reestablished the unfunded actuarial accrued liability. The cost of the plan has two components: normal cost and supplemental liability. The normal cost is the cost of the next year of service and the supplemental liability is the unfunded cost of past service. The supplemental liability can roll forward from valuation to valuation or can be reestablished. In a year, the liability is rolled forward, the past service cost is reported as normal cost. In a year the liability is reestablished, the past service cost is reported as supplemental liability in the Present Value of Prospective Contributions Payable calculations. The normal cost component is not included in the UAAL above. The reestablishment resulted in the large increase to the Unfunded AAL and UAAL as a Percentage of Covered Payroll calculation and alters the amortization period as of July 1, 2011. The Total Present Value of Prospective Contributions Payable is illustrated in the following table:

	(a)	(b)	(a) + (b)
Actuarial Valuation Date	Normal Cost	(UAAL) Supplemental Liability	Present Value of Prospective Contributions Payable by Employer
07/01/11	\$ 1,195	\$ 1,235	\$ 1,235
07/01/09	\$ 3,048	\$ 46	\$ 46
07/01/07	\$ 3,010	\$ 57	\$ 57

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## Supplemental Schedules



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TRI-CITIES AIRPORT COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA Number	Grantor Agency	Grant Number	Program Description	Balance July 1, 2011	Cash Receipts	Expenditures <sup>1</sup>	Adjustments <sup>3</sup>	Balance June 30, 2012 <sup>2</sup>
20.106	Federal Aviation Administration	AIP 3-47-0004-53	Terminal Ramp Reconstruction - Phase II	\$ 67,948	92,453	24,505	-	-
		AIP 3-47-0004-54	Terminal Ramp Reconstruction - Phase III, Security Fence Rehab - Phase II and Friction Decelerometer	104,877	123,158	31,090	-	12,809
		AIP 3-47-0004-55	Runway Rehabilitation and Road Relocation Design	73,031	222,759	243,744	-	94,016
		AIP 3-47-0004-60	Sinkhole Repairs, Signage, Building Demo and Snow Plow	315,411	351,794	62,665	-	26,282
		AIP 3-47-0004-61	Terminal Building Access Control, High Speed Snow Broom, Fingerprint Machine and Airfield Improvements	-	151,278	311,079	-	159,801
		AIP 3-47-0004-62	Hamilton Road Relocation and Taxiway Romeo Construction	-	462,876	1,027,901	-	565,025
		AIP 3-47-0004-56 (AIP 63)	Runway 27, ARFF Firesuits, Terminal Ramp Access, Grande Harbor Property	-	-	29,519	-	29,519
				<u>\$ 561,267</u>	<u>1,404,318</u>	<u>1,730,503</u>	<u>0</u>	<u>887,452</u>

<sup>1</sup> This Schedule reflects the federal grantor's share of the expenditures.

<sup>2</sup> These balances represent amounts due from the grantor.

<sup>3</sup> These balances represent an amendment to the approved federal budget or prior year expenditures.

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012

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NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tri-Cities Airport Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-53  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction Phase II	\$ 25,829	1,359,792	1,359,469	(323)	-
	<u>\$ 25,829</u>	<u>1,359,792</u>	<u>1,359,469</u>	<u>(323)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 24,505	1,291,771	1,291,771	-	-
State Grant (2.5%)	500	33,849	33,849	-	-
Tri-Cities Airport Commission	<u>824</u>	<u>34,172</u>	<u>33,849</u>	<u>(323)</u>	<u>-</u>
	<u>\$ 25,829</u>	<u>1,359,792</u>	<u>1,359,469</u>	<u>(323)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-54  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction - Phase III	\$ 17,126	2,161,973	2,190,264	28,291	-
Security Fence Rehab - Phase II	15,599	1,081,482	1,061,406	(20,076)	-
Friction Decelerometer	-	4,668	4,650	(18)	-
	<u>\$ 32,725</u>	<u>3,248,123</u>	<u>3,256,320</u>	<u>8,197</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 31,090	3,085,717	3,097,754	12,037	-
State Grant (2.5%)	-	79,283	79,283	-	-
Tri-Cities Airport Commission	1,635	83,123	79,283	(3,840)	-
	<u>\$ 32,725</u>	<u>3,248,123</u>	<u>3,256,320</u>	<u>8,197</u>	<u>0</u>

See Independent Auditors' Report.



TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-55  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehabilitation - Design	\$ 161,732	381,690	365,300	(16,390)	-
Road Relocation - Design	<u>117,501</u>	<u>586,208</u>	<u>579,937</u>	<u>(6,271)</u>	<u>-</u>
	<u>\$ 279,233</u>	<u>967,898</u>	<u>945,237</u>	<u>(22,661)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 243,744	897,975	897,975	-	-
State Grant (5%)	6,981	24,198	26,933	2,735	-
Tri-Cities Airport Commission	<u>28,508</u>	<u>45,725</u>	<u>20,329</u>	<u>(25,396)</u>	<u>-</u>
	<u>\$ 279,233</u>	<u>967,898</u>	<u>945,237</u>	<u>(22,661)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-60  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Sinkhole Repair and Signage	\$ 98	37,888	39,750	1,862	-
Building Demolition	57,162	1,419,674	1,421,577	1,903	-
Snow Plow	8,703	401,312	400,000	(1,312)	-
	<u>\$ 65,963</u>	<u>1,858,874</u>	<u>1,861,327</u>	<u>2,453</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 62,665	1,765,930	1,768,261	2,331	-
State Grant (2.5%)	1,649	46,472	46,914	442	-
Tri-Cities Airport Commission	1,649	46,472	46,152	(320)	-
	<u>\$ 65,963</u>	<u>1,858,874</u>	<u>1,861,327</u>	<u>2,453</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-61  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Access Control Fingerprint Equipment	\$ 16,148	16,148	11,503	(4,645)	-
Terminal Access Control Improvement	190,037	190,037	219,660	29,623	-
Rwy 23 PAPI PCU Relocation	19,530	19,530	16,830	(2,700)	-
High Speed Runway Broom	101,736	101,736	134,438	32,702	-
	<u>\$ 327,451</u>	<u>327,451</u>	<u>382,431</u>	<u>54,980</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 311,079	311,079	363,309	52,230	-
State Grant (2.5%)	8,186	8,186	9,561	1,375	-
Tri-Cities Airport Commission	8,186	8,186	9,561	1,375	-
	<u>\$ 327,451</u>	<u>327,451</u>	<u>382,431</u>	<u>54,980</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-62  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Hamilton Road Relocation and Taxiway Romeo Construction	\$ 1,082,001	1,082,001	10,233,553	9,151,552	-
	<u>\$ 1,082,001</u>	<u>1,082,001</u>	<u>10,233,553</u>	<u>9,151,552</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 1,027,901	1,027,901	9,721,875	8,693,974	-
State Grant (2.5%)	27,050	27,050	255,839	228,789	-
Tri-Cities Airport Commission	<u>27,050</u>	<u>27,050</u>	<u>255,839</u>	<u>228,789</u>	<u>-</u>
	<u>\$ 1,082,001</u>	<u>1,082,001</u>	<u>10,233,553</u>	<u>9,151,552</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
FEDERAL GRANT AIP #3-47-0004-56 (AIP 63)  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 27 RSA Improvement	\$ 22,403	22,403	424,635	402,232	-
ARFF Equipment Replacement	1,730	1,730	55,953	54,223	-
Terminal Ramp Access Control	7,421	7,421	219,653	212,232	-
Grande Harbor Property	-	-	988,532	988,532	-
	<u>\$ 31,554</u>	<u>31,554</u>	<u>1,688,773</u>	<u>1,657,219</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant	\$ 29,519	29,519	1,536,896	1,507,377	-
State Grant (2.5%)	561	561	8,500	7,939	-
State Grant (5%)	457	457	67,439	66,982	-
Tri-Cities Airport Commission	1,017	1,017	75,938	74,921	-
	<u>\$ 31,554</u>	<u>31,554</u>	<u>1,688,773</u>	<u>1,657,219</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA				Balance	Cash			Balance
Number	Grantor Agency	Grant Number	Program Description	July 1, 2011	Receipts	Expenditures <sup>1</sup>	Adjustments <sup>3</sup>	June 30, 2012 <sup>2</sup>
N/A	TN Dept. of Transportation	82-555-0799-04	Terminal Sound System Improvements	\$ 6,284	-	-	-	6,284
		82-555-1003-04	South Aviation Development	3,848	163,332	159,484	-	-
		82-555-1004-04	Terminal Building Exit System Upgrade	41,448	47,194	2,593	3,153	-
		82-555-1009-04	Terminal Ramp Reconstruction (AIP 50)	6,874	11,194	-	4,320	-
		82-555-1013-04	Professional Services	2,250	-	44,478	-	46,728
		82-555-1016-04	Terminal Ramp Reconstruction Phase II (AIP 53)	2,986	-	500	-	3,486
		82-555-1017-04	Road Relocation (AIP 55)	11,718	-	4,043	-	15,761
		82-555-1025-04	Runway 5/23 Rehabilitation (AIP 55)	5,499	-	2,938	-	8,437
		82-555-1019-04	Glycol and Fuel Farm	3,054	-	-	-	3,054
		82-555-1020-04	Terminal Building Phase II	789	56,035	55,246	-	-
		82-555-1021-04	Terminal Ramp Phase II, Security Fence Phase II and Friction Decelerometer (AIP 54)	5,169	-	-	-	5,169
		82-555-1022-04	Aviation Drive Relocation	18	18	-	-	-
		82-555-1024-04	South Aviation Dev. Hanger	530,474	1,539,624	1,172,038	-	162,888
		82-555-1026-04	Wildlife Management Assessment	21,521	28,961	8,880	-	1,440
		82-555-1027-04	Security and Maintenance Vehicles	27	29	-	2	-
		82-555-1100-04	Sinkhole Repair and Signage (AIP 60)	945	-	2	-	947
		82-555-1105-04	Land Acquisition - Mapleview Farms (AIP 59)	9,516	10	-	-	9,506
		82-555-1107-04	Snow Plow and Building Demolition (AIP 60)	43,878	23,854	1,647	-	21,671
		82-555-1114-04	Hamilton Road Relocation and Taxiway Romeo Construction (AIP 62)	-	-	27,050	-	27,050
		82-555-1702-04	North Ramp Plane Port	3,073	-	219,964	-	223,037
		82-555-1703-04	G.A. Terminal Rehab	4,353	899,777	1,027,203	-	131,779
		82-555-1704-04	Obstruction Removal Runway 5	32,180	35,203	56,915	-	53,892
		82-555-1708-04	5/23 Pvmnt Crack and Joint Sealing	-	112,190	112,190	-	-
		82-555-1709-04	Mowers and Belt Loader	-	-	82,245	-	82,245
		82-555-1713-04	Terminal Building Improvements Phase III	-	-	19,142	-	19,142
		82-555-1112-04	Terminal Building Access Control, High Speed Snow Broom, Fingerprint Machine and Airfield Improvements (AIP 61)	-	-	8,186	-	8,186
		82-555-1717-04	Access Control Windows	-	-	77,516	-	77,516
		82-555-1722-04	Rwy 27 Displaced Threshold (AIP 63)	-	-	560	-	560
		82-555-1722-04	ARFF Fire Suits and Self Contained Air Tank (AIP 63)	-	-	458	-	458
				<u>\$ 735,904</u>	<u>2,917,421</u>	<u>3,083,278</u>	<u>7,475</u>	<u>909,236</u>

<sup>1</sup> This Schedule reflects the state grantor's share of the expenditures.

<sup>2</sup> These balances represent amounts due from the grantor.

<sup>3</sup> These balances represent rounding, amendments or expired grant.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1003-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
South Aviation Development	\$ 177,204	1,801,447	1,891,406	89,959	-
	<u>\$ 177,204</u>	<u>1,801,447</u>	<u>1,891,406</u>	<u>89,959</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 159,484	1,621,302	1,702,266	80,964	-
Tri-Cities Airport Commission	<u>17,720</u>	<u>180,145</u>	<u>189,140</u>	<u>8,995</u>	<u>-</u>
	<u>\$ 177,204</u>	<u>1,801,447</u>	<u>1,891,406</u>	<u>89,959</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
 TENNESSEE GRANT 82-555-1004-04  
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
 Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building Exit System Upgrade	\$ 2,881	835,556	852,634	17,078	-
	<u>\$ 2,881</u>	<u>835,556</u>	<u>852,634</u>	<u>17,078</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 2,593	752,000	767,370	15,370	-
Tri-Cities Airport Commission	288	83,556	85,264	1,708	-
	<u>\$ 2,881</u>	<u>835,556</u>	<u>852,634</u>	<u>17,078</u>	<u>0</u>

See Independent Auditors' Report.



TRI-CITIES AIRPORT COMMISSION  
 TENNESSEE GRANT 82-555-1013-04  
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
 Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Professional Services	\$ 49,420	77,672	95,000	17,328	-
	<u>\$ 49,420</u>	<u>77,672</u>	<u>95,000</u>	<u>17,328</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 44,478	69,904	85,500	15,596	-
Tri-Cities Airport Commission	<u>4,942</u>	<u>7,768</u>	<u>9,500</u>	<u>1,732</u>	<u>-</u>
	<u>\$ 49,420</u>	<u>77,672</u>	<u>95,000</u>	<u>17,328</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1016-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction Phase II	\$ 25,829	1,359,792	1,359,469	(323)	-
	<u>\$ 25,829</u>	<u>1,359,792</u>	<u>1,359,469</u>	<u>(323)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 24,505	1,291,771	1,291,771	-	-
State Grant (2.5%)	500	33,849	33,849	-	-
Tri-Cities Airport Commission	<u>824</u>	<u>34,172</u>	<u>33,849</u>	<u>(323)</u>	<u>-</u>
	<u>\$ 25,829</u>	<u>1,359,792</u>	<u>1,359,469</u>	<u>(323)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1017-04 and 82-555-1025-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehabilitation					
- Design	\$ 161,732	381,690	365,300	(16,390)	-
Road Relocation - Design	117,501	586,208	579,937	(6,271)	-
	<u>\$ 279,233</u>	<u>967,898</u>	<u>945,237</u>	<u>(22,661)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 243,744	897,975	897,975	-	-
State Grant (5%)	6,981	24,198	26,933	2,735	-
Tri-Cities Airport Commission	28,508	45,725	20,329	(25,396)	-
	<u>\$ 279,233</u>	<u>967,898</u>	<u>945,237</u>	<u>(22,661)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1020-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building - Phase II	\$ 64,383	912,003	913,968	1,965	-
	<u>\$ 64,383</u>	<u>912,003</u>	<u>913,968</u>	<u>1,965</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 55,246	820,803	822,571	1,768	-
Tri-Cities Airport Commission	<u>9,137</u>	<u>91,200</u>	<u>91,397</u>	<u>197</u>	<u>-</u>
	<u>\$ 64,383</u>	<u>912,003</u>	<u>913,968</u>	<u>1,965</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1024-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
S. Aviation Dev. Hangar - Design	\$ 108,872	282,668	264,660	(18,008)	-
S. Aviation Dev. Hangar - Construction	<u>1,193,393</u>	<u>1,950,767</u>	<u>2,155,604</u>	<u>204,837</u>	<u>-</u>
	<u>\$ 1,302,265</u>	<u>2,233,435</u>	<u>2,420,264</u>	<u>186,829</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 1,172,038	2,010,092	2,178,238	168,146	-
Tri-Cities Airport Commission	<u>130,227</u>	<u>223,343</u>	<u>242,026</u>	<u>18,683</u>	<u>-</u>
	<u>\$ 1,302,265</u>	<u>2,233,435</u>	<u>2,420,264</u>	<u>186,829</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1026-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Wildlife Hazard Assessment	\$ 9,867	33,779	40,000	6,221	-
	<u>\$ 9,867</u>	<u>33,779</u>	<u>40,000</u>	<u>6,221</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 8,880	30,401	36,000	5,599	-
Tri-Cities Airport Commission	987	3,378	4,000	622	-
	<u>\$ 9,867</u>	<u>33,779</u>	<u>40,000</u>	<u>6,221</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1100-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

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<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Sinkhole Repair and Signage	\$ 98	37,888	39,750	1,862	-
	<u>\$ 98</u>	<u>37,888</u>	<u>39,750</u>	<u>1,862</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 93	35,993	37,763	1,770	-
State Grant (2.5%)	2	947	1,375	428	-
Tri-Cities Airport Commission	<u>3</u>	<u>948</u>	<u>612</u>	<u>(336)</u>	<u>-</u>
	<u>\$ 98</u>	<u>37,888</u>	<u>39,750</u>	<u>1,862</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1107-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Snow Plow and Building Demo	\$ 65,865	1,820,986	1,821,577	591	-
	<u>\$ 65,865</u>	<u>1,820,986</u>	<u>1,821,577</u>	<u>591</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 62,572	1,729,937	1,730,498	561	-
State Grant (2.5%)	1,647	45,525	45,539	14	-
Tri-Cities Airport Commission	<u>1,646</u>	<u>45,524</u>	<u>45,540</u>	<u>16</u>	<u>-</u>
	<u>\$ 65,865</u>	<u>1,820,986</u>	<u>1,821,577</u>	<u>591</u>	<u>0</u>

See Independent Auditors' Report.



TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1114-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Hamilton Road Relocation and Taxiway Romeo Construction	\$ 1,082,001	1,082,001	10,233,553	9,151,552	-
	<u>\$ 1,082,001</u>	<u>1,082,001</u>	<u>10,233,553</u>	<u>9,151,552</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 1,027,901	1,027,901	9,721,875	8,693,974	-
State Grant (2.5%)	27,050	27,050	255,839	228,789	-
Tri-Cities Airport Commission	<u>27,050</u>	<u>27,050</u>	<u>255,839</u>	<u>228,789</u>	<u>-</u>
	<u>\$ 1,082,001</u>	<u>1,082,001</u>	<u>10,233,553</u>	<u>9,151,552</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1702-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
North Ramp Plane Port- Design	\$ 964	27,831	40,000	12,169	
North Ramp Plane Port- Construction	243,440	243,440	273,000	29,560	-
	<u>\$ 244,404</u>	<u>271,271</u>	<u>313,000</u>	<u>41,729</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 219,964	244,145	281,700	37,555	-
Tri-Cities Airport Commission	24,440	27,126	31,300	4,174	-
	<u>\$ 244,404</u>	<u>271,271</u>	<u>313,000</u>	<u>41,729</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1703-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
GA Terminal Rehab - Designs	\$ 53,654	129,269	102,000	(27,269)	
GA Terminal Rehab - Construction	<u>1,087,682</u>	<u>1,087,682</u>	<u>1,125,773</u>	<u>38,091</u>	<u>-</u>
	<u>\$ 1,141,336</u>	<u>1,216,951</u>	<u>1,227,773</u>	<u>10,822</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 1,027,203	1,095,256	1,104,996	9,740	-
Tri-Cities Airport Commission	<u>114,133</u>	<u>121,695</u>	<u>122,777</u>	<u>1,082</u>	<u>-</u>
	<u>\$ 1,141,336</u>	<u>1,216,951</u>	<u>1,227,773</u>	<u>10,822</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1704-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Obstruction Removal					
Runway 5	\$ 66,044	101,800	98,994	(2,806)	-
	<u>\$ 66,044</u>	<u>101,800</u>	<u>98,994</u>	<u>(2,806)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 56,915	89,095	89,095	-	-
Tri-Cities Airport Commission	<u>9,129</u>	<u>12,705</u>	<u>9,899</u>	<u>(2,806)</u>	<u>-</u>
	<u>\$ 66,044</u>	<u>101,800</u>	<u>98,994</u>	<u>(2,806)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1708-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Pavement Joint and Crack Sealing	\$ 127,161	127,161	124,656	(2,505)	-
	<u>\$ 127,161</u>	<u>127,161</u>	<u>124,656</u>	<u>(2,505)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 112,190	112,190	112,190	-	-
Tri-Cities Airport Commission	<u>14,971</u>	<u>14,971</u>	<u>12,466</u>	<u>(2,505)</u>	<u>-</u>
	<u>\$ 127,161</u>	<u>127,161</u>	<u>124,656</u>	<u>(2,505)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1709-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Mowers and Belt Loader	\$ 91,383	91,383	96,000	4,617	-
	<u>\$ 91,383</u>	<u>91,383</u>	<u>96,000</u>	<u>4,617</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 82,245	82,245	86,400	4,155	-
Tri-Cities Airport Commission	9,138	9,138	9,600	462	-
	<u>\$ 91,383</u>	<u>91,383</u>	<u>96,000</u>	<u>4,617</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
 TENNESSEE GRANT 82-55-1713-04  
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
 Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building Improvements - Phase III Design	\$ 21,269	21,269	44,870	23,601	-
	<u>\$ 21,269</u>	<u>21,269</u>	<u>44,870</u>	<u>23,601</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 19,142	19,142	40,383	21,241	-
Tri-Cities Airport Commission	<u>2,127</u>	<u>2,127</u>	<u>4,487</u>	<u>2,360</u>	<u>-</u>
	<u>\$ 21,269</u>	<u>21,269</u>	<u>44,870</u>	<u>23,601</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1112-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Access Control Fingerprint Equipment	\$ 16,148	16,148	11,503	(4,645)	-
Terminal Access Control Improvement	190,037	190,037	219,660	29,623	-
Rwy 23 PAPI PCU Relocation	19,530	19,530	16,830	(2,700)	-
High Speed Runway Broom	101,736	101,736	134,438	32,702	-
	<u>\$ 327,451</u>	<u>327,451</u>	<u>382,431</u>	<u>54,980</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 311,079	311,079	363,309	52,230	-
State Grant (2.5%)	8,186	8,186	9,561	1,375	-
Tri-Cities Airport Commission	8,186	8,186	9,561	1,375	-
	<u>\$ 327,451</u>	<u>327,451</u>	<u>382,431</u>	<u>54,980</u>	<u>0</u>

See Independent Auditors' Report.



TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1717-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

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<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Access Control Windows	\$ 86,129	86,129	100,000	13,871	-
	<u>\$ 86,129</u>	<u>86,129</u>	<u>100,000</u>	<u>13,871</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 77,516	77,516	90,000	12,484	-
Tri-Cities Airport Commission	<u>8,613</u>	<u>8,613</u>	<u>10,000</u>	<u>1,387</u>	<u>-</u>
	<u>\$ 86,129</u>	<u>86,129</u>	<u>100,000</u>	<u>13,871</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION  
TENNESSEE GRANT 82-555-1722-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2012

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 27 RSA Improvement	\$ 22,403	22,403	424,635	402,232	-
ARFF Equipment Replacement	1,730	1,730	55,953	54,223	-
Terminal Ramp Access Control	7,421	7,421	219,653	212,232	-
Grande Harbor Property	-	-	988,532	988,532	-
	<u>\$ 31,554</u>	<u>31,554</u>	<u>1,688,773</u>	<u>1,657,219</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant	\$ 29,519	29,519	1,536,895	1,507,376	-
State Grant (2.5%)	560	560	8,500	7,940	-
State Grant (5%)	458	458	67,439	66,981	-
Tri-Cities Airport Commission	1,017	1,017	75,939	74,922	-
	<u>\$ 31,554</u>	<u>31,554</u>	<u>1,688,773</u>	<u>1,657,219</u>	<u>0</u>

See Independent Auditors' Report.

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## Statistical

- Unaudited financial and demographic information



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## **STATISTICAL SECTION**

The statistical section of the Comprehensive Annual Financial Report provides detailed information to enhance the understanding of the financial condition of the Tri-Cities Airport Commission. The statistical section is from the Airport Commission's fiscal year 2011 Comprehensive Annual Financial Report.

### **CONTENTS**

#### ***Financial Trends***

These schedules contain trend information to help the reader understand how the Airport's financial performance and condition have changed over time.

#### ***Revenue Capacity***

These schedules contain information to help the reader understand the make-up of the Airport's revenue sources. The Airport Commission presents landed weights, square footage, public safety reimbursement and other airline related revenues along with parking rates to illustrate their primary revenue sources.

#### ***Debt Capacity***

These schedules present information on the Airport's ability to meet their current debt service. The Airport Commission did not have any long-term bond debt prior to 1995. A schedule is included for Passenger Facility Charges and Customer Facility Charges as these two restricted revenue sources are the primary source for long-term bond debt service.

#### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to show the environment within the surrounding area of the Airport.

#### ***Operating Information***

These schedules contain service and infrastructure data to assist the reader in understanding how the Airport operates. The schedules presented include operating results, employees, capital assets, and source of funding for capital assets.

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**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 1:**  
**Net Assets and Changes in Net Assets**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
OPERATING REVENUES	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083
OPERATING EXPENSES	<u>5,422,576</u>	<u>5,347,016</u>	<u>5,101,080</u>	<u>5,431,972</u>	<u>5,415,059</u>	<u>5,415,312</u>	<u>5,484,486</u>	<u>5,333,989</u>	<u>4,902,809</u>	<u>4,784,038</u>
OPERATING INCOME BEFORE DEPRECIATION & AMORTIZATION	\$ 737,807	\$ 549,248	\$ 592,480	\$ 386,472	\$ 702,272	\$ 525,620	\$ 501,014	\$ 406,443	\$ 426,719	\$ 448,045
LESS: DEPRECIATION	3,319,171	3,148,163	3,053,364	2,855,601	2,889,942	2,730,172	2,381,018	2,282,141	2,372,815	2,137,476
AMORTIZATION	<u>13,500</u>	<u>13,500</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>109,760</u>	<u>6,478</u>
OPERATING LOSS	\$ (2,594,864)	\$ (2,612,415)	\$ (2,474,385)	\$ (2,482,630)	\$ (2,201,171)	\$ (2,218,053)	\$ (1,893,505)	\$ (1,889,199)	\$ (2,055,856)	\$ (1,695,909)
OTHER NON-OPERATING REVENUES (EXPENSES)	<u>1,253,169</u>	<u>936,264</u>	<u>809,692</u>	<u>781,318</u>	<u>878,429</u>	<u>557,579</u>	<u>619,715</u>	<u>482,993</u>	<u>103,322</u>	<u>287,541</u>
LOSS BEFORE CAPITAL CONTRIBUIONS	\$ (1,341,695)	\$ (1,676,151)	\$ (1,664,693)	\$ (1,701,312)	\$ (1,322,742)	\$ (1,660,474)	\$ (1,273,790)	\$ (1,406,206)	\$ (1,952,534)	\$ (1,408,368)
CAPITAL CONTRIBUTIONS	<u>4,821,258</u>	<u>3,640,905</u>	<u>6,774,016</u>	<u>7,485,388</u>	<u>4,330,262</u>	<u>3,067,094</u>	<u>7,646,827</u>	<u>2,672,004</u>	<u>3,399,266</u>	<u>2,174,875</u>
CHANGE IN NET ASSETS	<u>\$ 3,479,563</u>	<u>\$ 1,964,754</u>	<u>\$ 5,109,323</u>	<u>\$ 5,784,076</u>	<u>\$ 3,007,520</u>	<u>\$ 1,406,620</u>	<u>\$ 6,373,037</u>	<u>\$ 1,265,798</u>	<u>\$ 1,446,732</u>	<u>\$ 766,507</u>
NET ASSETS AT YEAR-END										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 61,201,867	\$ 58,312,190	\$ 56,595,863	\$ 50,301,978	\$ 45,438,936	\$ 43,473,265	\$ 40,568,936	\$ 35,041,899	\$ 33,646,213	\$ 33,054,563
RESTRICTED - TENANT	-	-	-	-	-	-	-	-	1,654	1,654
RESTRICTED - PASSENGER FACILITY CHARGE	898,414	819,966	754,568	806,920	566,711	362,968	423,709	438,035	411,092	489,956
UNRESTRICTED	<u>4,402,773</u>	<u>3,891,335</u>	<u>3,708,306</u>	<u>4,840,516</u>	<u>4,159,691</u>	<u>3,321,585</u>	<u>4,758,553</u>	<u>3,898,227</u>	<u>4,053,404</u>	<u>3,119,458</u>
TOTAL NET ASSETS	<u>\$ 66,503,054</u>	<u>\$ 63,023,491</u>	<u>\$ 61,058,737</u>	<u>\$ 55,949,414</u>	<u>\$ 50,165,338</u>	<u>\$ 47,157,818</u>	<u>\$ 45,751,198</u>	<u>\$ 39,378,161</u>	<u>\$ 38,112,363</u>	<u>\$ 36,665,631</u>

Source: Audited Financial Statements

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 2:**  
**Changes in Cash and Cash Equivalents**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
<b>Cash Flows From Operating Activities</b>										
Cash received from customers	\$ 5,971,326	\$ 5,753,038	\$ 5,702,985	\$ 5,796,913	\$ 6,140,734	\$ 5,883,726	\$ 6,043,541	\$ 5,667,282	\$ 5,363,959	\$ 5,090,111
Cash payments to suppliers	(1,868,890)	(1,955,865)	(1,163,492)	(1,952,309)	(1,563,139)	(2,119,801)	(2,276,146)	(2,121,032)	(2,031,536)	(2,201,758)
Cash payments to employees	(2,425,125)	(2,254,986)	(2,411,072)	(2,345,715)	(2,260,532)	(1,998,860)	(2,108,696)	(2,035,227)	(1,975,357)	(1,694,896)
Cash paid out for employee benefits	(1,060,836)	(1,024,075)	(1,055,427)	(1,053,814)	(1,064,303)	(970,908)	(843,857)	(810,844)	(656,545)	(556,251)
Cash payments for insurance	(237,684)	(208,614)	(249,790)	(222,280)	(249,566)	(293,462)	(248,434)	(275,004)	(264,252)	(279,725)
Net Cash Provided (Used) by Operating Activities	<u>378,791</u>	<u>309,498</u>	<u>823,204</u>	<u>222,795</u>	<u>1,003,194</u>	<u>500,695</u>	<u>566,408</u>	<u>425,175</u>	<u>436,269</u>	<u>357,481</u>
<b>Cash Flows From Capital and Related Financing Activities</b>										
Acquisition and Construction of Capital Assets	(5,320,481)	(4,172,542)	(8,648,385)	(7,419,623)	(4,216,586)	(4,982,119)	(9,388,510)	(5,108,733)	(4,120,037)	(3,755,016)
Proceeds from Sale of Assets	29,485	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Land to State of Tennessee	241,712	-	-	-	-	-	-	-	-	-
Capital grants received	4,321,741	3,859,505	6,897,168	6,967,113	3,617,479	4,402,861	7,071,240	3,200,256	2,265,552	3,336,527
PFC Funds Received	913,460	862,463	808,349	795,705	836,158	530,007	597,143	615,655	533,262	508,444
CFC Funds Received	379,825	355,410	322,865	275,044	280,364	295,764	319,116	291,650	259,800	140,118
Interest Paid	(296,105)	(325,425)	(352,352)	(376,377)	(399,533)	(422,178)	(442,408)	(462,805)	(410,311)	(311,698)
Cost of Issuing Debt	-	-	-	-	-	-	-	-	(299,362)	-
Bond Proceeds	-	-	-	-	-	-	-	-	10,540,000	-
Principal paid on long-term debt	(750,000)	(720,000)	(695,000)	(670,000)	(645,000)	(615,000)	(595,000)	(575,000)	(5,380,000)	(300,000)
Net Cash Provided (Used for) Capital and Related Financing Activities	<u>(480,363)</u>	<u>(140,589)</u>	<u>(1,667,355)</u>	<u>(428,138)</u>	<u>(527,118)</u>	<u>(790,665)</u>	<u>(2,438,419)</u>	<u>(2,038,977)</u>	<u>3,388,904</u>	<u>(381,625)</u>
<b>Cash Flows From Investing Activities</b>										
Purchase of Investments	(12,019)	(330,337)	(35,325)	(1,720,370)	(518,499)	(7,714)	(9,084)	(8,762)	(448,435)	(1,169,162)
Sales of Investments	-	309,564	421,328	614,584	-	-	-	-	2,777,692	1,250,000
Interest Received	17,660	31,380	69,405	65,844	159,649	163,644	177,101	135,378	78,502	92,228
Cash Paid for Management Fees	-	(480)	(480)	(480)	(548)	(667)	(837)	(4,009)	(11,937)	(12,331)
Net Cash Provided By (Used for) Investing Activities	<u>5,641</u>	<u>10,127</u>	<u>454,928</u>	<u>(1,040,422)</u>	<u>(359,398)</u>	<u>155,263</u>	<u>167,180</u>	<u>122,607</u>	<u>2,395,822</u>	<u>160,735</u>
<b>Net Increase (Decrease) In Cash</b>	(95,931)	179,036	(389,223)	(1,245,765)	116,678	(134,707)	(1,704,831)	(1,491,195)	6,220,995	136,591
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,939,603</u>	<u>2,760,567</u>	<u>3,149,790</u>	<u>4,395,555</u>	<u>4,278,877</u>	<u>4,413,584</u>	<u>6,118,415</u>	<u>7,609,610</u>	<u>1,388,615</u>	<u>1,252,024</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,843,672</u>	<u>\$ 2,939,603</u>	<u>\$ 2,760,567</u>	<u>\$ 3,149,790</u>	<u>\$ 4,395,555</u>	<u>\$ 4,278,877</u>	<u>\$ 4,413,584</u>	<u>\$ 6,118,415</u>	<u>\$ 7,609,610</u>	<u>\$ 1,388,615</u>

Source: Audited Financial Statements



**Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA**

**Table 3:  
Reserved Funds  
Last Ten Fiscal Years (unaudited)**

<u>Year</u>	<u>Bond Escrow</u>	<u>Dedicated</u>	<u>GRAND TOTAL</u>
2012	\$ 1,058,760	\$ 1,083,076	\$ 2,141,836
2011	\$ 1,058,760	\$ 1,074,304	\$ 2,133,064
2010	\$ 1,058,760	\$ 1,059,682	\$ 2,118,442
2009	\$ 1,058,760	\$ 1,358,264	\$ 2,417,024
2008	\$ 1,061,800	\$ 1,438,282	\$ 2,500,082
2007	\$ 1,061,800	\$ 1,387,371	\$ 2,449,171
2006	\$ 1,067,754	\$ 1,348,748	\$ 2,416,502
2005	\$ 1,067,754	\$ 1,312,455	\$ 2,380,209
2004	\$ 1,067,754	\$ 1,273,755	\$ 2,341,509
2003	\$ 642,683	\$ 1,273,755	\$ 1,916,438

Source: Audited Financial Statements

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 4:**  
**Principal Revenue Sources and Revenues Per Enplaned Passenger**  
**Last Ten Fiscal Years**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Airline Revenues:</b>										
Landing Fees	\$ 595,025	\$ 585,775	\$ 542,400	\$ 643,106	\$ 636,555	\$ 593,299	\$ 504,567	\$ 444,625	\$ 392,953	\$ 378,968
Terminal Rents	825,665	788,539	752,467	802,421	775,683	775,683	737,410	691,924	646,680	661,354
Security Reimbursements	556,313	553,268	560,580	568,086	609,186	573,096	553,548	532,151	542,497	558,891
Jetway Fees	27,795	19,410	8,230	5,400	7,275	9,675	6,675	450	-	-
Other	-	5,089	4,774	7,827	8,554	12,599	13,061	9,451	10,613	12,109
Total Airline Revenue	\$2,004,798	\$1,952,081	\$1,868,451	\$2,026,840	\$ 2,037,253	\$ 1,964,351	\$ 1,815,261	\$ 1,678,601	\$ 1,592,743	\$ 1,611,322
Percent of Total Operating Revenues	32.5%	33.1%	32.8%	34.8%	33.3%	33.1%	30.3%	29.2%	29.9%	30.8%
<b>Non-Airline Revenues</b>										
Parking	1,945,375	1,858,862	1,704,348	1,782,756	1,878,917	1,832,702	1,862,406	1,660,578	1,466,110	1,409,675
<b>Percent of Total Operating Revenues</b>	<b>31.6%</b>	<b>31.5%</b>	<b>29.9%</b>	<b>30.6%</b>	<b>30.7%</b>	<b>30.8%</b>	<b>31.1%</b>	<b>28.9%</b>	<b>27.5%</b>	<b>26.9%</b>
Rental Car	873,378	792,309	764,671	679,626	840,589	777,119	726,233	740,435	697,617	720,523
Other	1,336,832	1,293,012	1,356,090	1,329,222	1,360,572	1,366,760	1,581,600	1,660,818	1,573,058	1,490,563
Total Non-Airline Revenues	\$4,155,585	\$3,944,183	\$3,825,109	\$3,791,604	\$ 4,080,078	\$ 3,976,581	\$ 4,170,239	\$ 4,061,831	\$ 3,736,785	\$ 3,620,761
Percent of Total Operating Revenues	67.5%	66.9%	67.2%	65.2%	66.7%	66.9%	69.7%	70.8%	70.1%	69.2%
<b>Total Operating Revenues</b>	<b>\$ 6,160,383</b>	<b>\$ 5,896,264</b>	<b>\$ 5,693,560</b>	<b>\$ 5,818,444</b>	<b>\$ 6,117,331</b>	<b>\$ 5,940,932</b>	<b>\$ 5,985,500</b>	<b>\$ 5,740,432</b>	<b>\$ 5,329,528</b>	<b>\$ 5,232,083</b>
Percent of Total Revenues	79.9%	82.3%	83.0%	83.3%	82.7%	85.6%	84.8%	84.4%	85.7%	87.1%
<b>Nonoperating Revenues</b>										
Passenger Facility Charges	\$ 884,120	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657	\$ 538,856	\$ 583,092	\$ 628,543	\$ 537,490	\$ 535,415
Customer Facility Charges	379,825	355,410	307,017	253,729	291,228	295,337	316,526	297,554	260,532	162,798
Interest Income	17,660	31,380	69,405	65,844	159,649	163,644	177,101	135,378	74,010	78,612
Sale of Land to State of Tennessee	241,712	-	-	-	-	-	-	-	-	-
Proceeds on Sale of Assets	29,485	-	-	-	-	-	-	-	20,519	-
Total Nonoperating Revenues	\$ 1,552,802	\$ 1,266,086	\$ 1,166,919	\$ 1,163,055	\$ 1,283,534	\$ 997,837	\$ 1,076,719	\$ 1,061,475	\$ 892,551	\$ 776,825
Percent of Total Revenues	20.1%	17.7%	17.0%	16.7%	17.3%	14.4%	15.2%	15.6%	14.3%	12.9%
<b>Total Revenues</b>	<b>\$ 7,713,185</b>	<b>\$ 7,162,350</b>	<b>\$ 6,860,479</b>	<b>\$ 6,981,499</b>	<b>\$ 7,400,865</b>	<b>\$ 6,938,769</b>	<b>\$ 7,062,219</b>	<b>\$ 6,801,907</b>	<b>\$ 6,222,079</b>	<b>\$ 6,008,908</b>
Enplaned Passengers (excluding charters)	221,681	214,669	198,995	205,547	210,244	202,866	224,913	234,238	199,472	197,910
Airline Revenue Per enplaned passenger	\$ 9.04	\$ 9.09	\$ 9.39	\$ 9.86	\$ 9.69	\$ 9.68	\$ 8.07	\$ 7.17	\$ 7.98	\$ 8.14
Parking Revenue per enplaned passenger	\$ 8.78	\$ 8.66	\$ 8.56	\$ 8.67	\$ 8.94	\$ 9.03	\$ 8.28	\$ 7.09	\$ 7.35	\$ 7.12
Total Revenue Per enplaned passenger	\$ 34.79	\$ 33.36	\$ 34.48	\$ 33.97	\$ 35.20	\$ 34.20	\$ 31.40	\$ 29.04	\$ 31.19	\$ 30.36

Source: Audited Financial Statements  
Tri-Cities Airport Commission Activity Reports

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 5:**  
**Revenue Rates**  
**Last Ten Fiscal Years**

	SIGNATORY AIRLINES RATES AND CHARGES									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Landing Fees (per 1,000 lbs. MGLW)	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.85	\$ 1.85	\$ 1.57	\$ 1.31	\$ 1.09	\$ 1.09
Terminal Rental Rates (per square foot)	\$ 32.20	\$ 31.11	\$ 40.52	\$ 40.52	\$ 38.74	\$ 38.74	\$ 36.80	\$ 34.07	\$ 25.69	\$ 25.69
Terminal Aircraft Parking Apron Fee, per turn	\$ 7.47	\$ 6.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jetway Use Fee (per use)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Annual Security Reimbursement *	\$ 556,316	\$ 553,268	\$ 560,580	\$ 568,086	\$ 609,186	\$ 558,127	\$ 553,548	\$ 532,151	\$ 542,497	\$ 558,892

\* Security Reimbursement is set at fifty percent of the annual Public Safety operating budget.

	Parking Rates									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Long-Term Parking - Daily **	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 7.00	\$ 7.00	\$ 7.00
	\$1 per 30 min *	\$1 per 30 min *	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour
Short-Term Parking - Daily	\$ 12.00	\$ 12.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 8.00	\$ 8.00	\$ 8.00
- Incremental	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per hour	\$1 per hour

\*\* - \$1.00 per hour after the first day up to the full day rate.

Source: Tri-Cities Airport Commission Lease Data

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 6:**  
**Enplaned Passengers**  
**Last Ten Fiscal Years (unaudited)**

<b>Airline</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Allegiant Air	30,879	33,181	31,198	38,499	26,020	1,881	-	-	-	-
US Airways Express (Air Wisconsin)	13,633	443	-	-	460	288	2,711	-	-	-
US Airways Express (Allegheny)	-	-	-	-	-	-	-	-	1,220	3,037
American Connection/Eagle	11,796	19,004	-	-	-	-	282	6,262	6,582	8,153
Delta (Atlantic Southeast Airlines)	60,052	90,866	87,223	64,576	53,075	40,146	63,159	75,160	69,460	75,940
Delta (Atlantic Coast)	-	-	-	-	-	-	-	9,639	25,526	16,803
Delta (Chautauqua)	-	0	1,178	17,709	30,864	41,066	25,267	6,518	-	-
Delta (Comair)	-	7,027	1,232	2,233	3,908	831	24,649	38,988	9,964	13,154
Delta (Freedom)	-	67	10,969	4,010	11,586	32,297	10,092	-	-	-
Delta (Pinnacle)	144	8,558	3,611	-	-	-	-	-	-	-
US Airways Express (Mesa Jet)	459	366	602	671	959	1,065	21,801	38,357	-	-
Northwest Airlin	-	-	1,351	22,467	22,776	23,689	27,683	27,790	24,254	17,482
Sky West	-	-	6,162	-	-	-	-	-	-	-
US Airways Express (Piedmont)	19,151	24,896	29,336	33,877	38,198	33,810	31,220	27,203	45,067	47,337
US Airways Express (PSA Airlines)	28,476	30,261	26,133	21,505	22,398	27,793	18,049	246	9,017	16,004
US Airways Express (Trans States)	-	-	-	-	-	-	-	4,075	8,382	-
XJT Express Jet	57,091	-	-	-	-	-	-	-	-	-
US Airways	-	-	-	-	-	-	-	-	-	-
Sub-Total Air Carriers	<b>221,681</b>	<b>214,669</b>	<b>198,995</b>	<b>205,547</b>	<b>210,244</b>	<b>202,866</b>	<b>224,913</b>	<b>234,238</b>	<b>199,472</b>	<b>197,910</b>
Charters	1,696	2,673	3,110	4,884	2,837	2,429	2,083	2,496	3,410	2,638
Total	<b>223,377</b>	<b>217,342</b>	<b>202,105</b>	<b>210,431</b>	<b>213,081</b>	<b>205,295</b>	<b>226,996</b>	<b>236,734</b>	<b>202,882</b>	<b>200,548</b>

Source: Tri-Cities Airport Commission Traffic Reports.

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 7a:**  
**Airline Landed Weights (000's Omitted)**  
**Last Ten Fiscal Years (unaudited)**

<b><u>Air Carriers</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Air Wisconsin	19,176	1,833	141	-	1,786	893	5,264	-	-	-
Allegheny Airlines	-	-	-	-	-	-	-	-	3,492	8,611
Allegiant Airlines	31,075	34,062	32,930	41,891	28,929	1,814	-	-	-	-
American Eagle/ Conn	14,713	28,308	-	-	-	-	421	10,240	10,474	13,190
Atlantic Coast	-	-	-	-	-	-	-	15,291	32,803	20,526
Atlantic Southeast	68,407	113,196	115,660	93,915	71,061	44,709	76,124	91,836	90,783	100,788
Chautauqua Airlines	-	-	1,833	27,449	45,249	62,245	35,603	8,925	-	-
Comair	-	9,447	1,504	3,619	6,392	1,175	36,599	60,630	31,255	28,529
CommutAir	-	-	-	-	-	-	-	-	-	-
Freedom	-	170	15,233	5,489	14,595	40,593	11,829	-	-	-
Mesa Jet	1,103	441	956	1,397	1,360	1,387	29,075	56,449	-	-
Northwest Airlink		-	1,625	43,087	41,411	41,149	41,009	47,947	44,155	30,526
Piedmont	28,597	35,913	41,721	51,299	54,177	49,140	43,816	39,842	69,381	77,624
Pinnacle	141	15,275	6,909	-	-	-	-	-	-	-
PSA Airlines	38,458	46,132	39,263	38,872	42,720	50,563	28,411	516	20,125	31,296
Sky West	-	-	9,024	-	-	-	-	-	-	-
Trans State	-	-	-	-	-	-	-	8,015	19,292	-
XJT ExpressJet	67,220	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>268,889</b>	<b>284,777</b>	<b>266,798</b>	<b>307,017</b>	<b>307,678</b>	<b>293,668</b>	<b>308,150</b>	<b>339,691</b>	<b>321,760</b>	<b>311,089</b>
Charters	4,297	7,807	7,702	10,070	7,082	6,361	5,181	6,384	9,095	6,151
<b>Total Air Carriers</b>	<b>273,186</b>	<b>292,584</b>	<b>274,500</b>	<b>317,087</b>	<b>314,760</b>	<b>300,029</b>	<b>313,331</b>	<b>346,075</b>	<b>330,856</b>	<b>317,240</b>

**Source: Tri-Cities Airport Activity Reports**

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 7b:**  
**Cargo Landed Weights**  
**Last Ten Fiscal Years (unaudited)**

<b>Cargo Carriers</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
ABX (DHL)/Airborne	-	-	-	21,163	50,945	51,219	50,940	50,976	50,991	50,164
Flight Express	-	408	612	5,777	8,359	8,359	8,359	8,359	8,359	8,359
Quest Diagnostic	1,188	1,296	1,296	1,296	-	-	-	-	-	-
Kalitta	-	-	-	-	-	-	9	751	-	41
Martinaire (DHL)	-	-	-	-	-	-	-	2,108	2,159	2,261
Reliant	-	-	-	-	-	-	-	-	-	-
Saber	-	-	-	-	-	-	-	-	334	49
Other	1,693	734	4,131	80	1,647	1,729	2,677	4,963	5,973	4,062
	<b>2,881</b>	<b>2,438</b>	<b>6,039</b>	<b>28,316</b>	<b>60,951</b>	<b>61,307</b>	<b>61,985</b>	<b>67,157</b>	<b>67,816</b>	<b>64,935</b>
<b>TOTAL LANDED WEIGHTS</b>	<b>276,067.3</b>	<b>295,022.1</b>	<b>280,538.8</b>	<b>345,402.6</b>	<b>375,711.1</b>	<b>361,336.2</b>	<b>375,316.4</b>	<b>413,231.8</b>	<b>398,671.4</b>	<b>382,174.9</b>

Source: Tri-Cities Airport Activity Report

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 8:**  
**Aircraft Movements Summary (Takeoff and Landing)**  
**Last Ten Fiscal Years (unaudited)**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Charters</b>	<b>Cargo Carriers</b>	<b>General Aviation</b>	<b>Air Taxi</b>	<b>Military</b>	<b>Total</b>
<b>2012</b>	10,927	136	520	39,121	1,775	509	52,988
<b>2011</b>	11,702	204	828	35,868	1,277	920	50,799
<b>2010</b>	10,928	183	1,056	37,372	1,347	687	51,573
<b>2009</b>	13,688	278	3,130	35,705	646	501	53,948
<b>2008</b>	14,384	186	4,592	41,681	299	398	61,540
<b>2007</b>	14,828	251	4,628	45,483	-	439	65,629
<b>2006</b>	15,188	142	4,678	51,625	347	725	72,705
<b>2005</b>	18,270	194	5,304	59,017	230	583	83,598
<b>2004</b>	19,102	348	5,334	66,660	686	697	92,827
<b>2003</b>	18,434	225	5,322	63,854	145	568	88,548

Source: Air Traffic Reports

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 9:**  
**Air Cargo, Freight & Mail**  
**Last Ten Calendar Years (unaudited)**  
**(amounts expressed in pounds)**

<b>Fiscal Year</b>	<b>Air Carriers</b>	<b>Cargo Carriers</b>	<b>Sub-total</b>	<b>Mail</b>	<b>Total</b>
2012	29,557	124,384	153,941	768	154,709
2011	31,489	97,570	129,059	2,479	131,538
2010	45,384	327,030	372,414	5,114	377,528
2009	100,613	5,898,721	5,999,334	1,593	6,000,927
2008	124,357	16,263,784	16,388,141	239	16,388,380
2007	130,349	10,290,014	10,420,363	1,311	10,421,674
2006	139,507	8,337,359	8,476,866	911	8,477,777
2005	175,998	3,593,986	3,769,984	2,448	3,772,432
2004	207,288	3,917,036	4,124,324	71,898	4,196,222
2003	194,245	3,695,665	3,889,910	125,344	4,015,254

Source: Air Traffic Reports



Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA  
TABLE 10:  
Debt Service Coverage  
Last Ten Fiscal Years (unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083
Operating Expenses	<u>\$ 5,422,576</u>	<u>\$ 5,347,016</u>	<u>\$ 5,101,080</u>	<u>\$ 5,431,972</u>	<u>\$ 5,415,059</u>	<u>5,415,312</u>	<u>5,484,486</u>	<u>5,333,989</u>	<u>4,902,809</u>	<u>4,784,038</u>
Operating Income Before Adjustments	737,807	549,248	592,480	386,472	702,272	525,620	501,014	406,443	426,719	448,045
Other Income	1,552,802	1,266,086	1,166,919	1,163,055	1,283,534	997,837	1,076,719	1,061,475	892,911	776,825
Other Expenses Net of Interest	<u>-</u>	<u>480</u>	<u>480</u>	<u>480</u>	<u>548</u>	<u>12,827</u>	<u>9,227</u>	<u>110,191</u>	<u>351,385</u>	<u>180,086</u>
Net Revenues	<u>\$ 2,290,609</u>	<u>\$ 1,814,854</u>	<u>\$ 1,758,919</u>	<u>\$ 1,549,047</u>	<u>\$ 1,985,258</u>	<u>\$ 1,510,630</u>	<u>\$ 1,568,506</u>	<u>\$ 1,357,727</u>	<u>\$ 968,245</u>	<u>\$ 1,044,784</u>
Debt Service on airport revenue bonds										
Principal	\$ 750,000	\$ 720,000	\$ 695,000	\$ 670,000	645,000	615,000	595,000	575,000	140,000	300,000
Interest (a)	<u>295,625</u>	<u>325,425</u>	<u>352,351</u>	<u>376,376</u>	<u>399,533</u>	<u>427,431</u>	<u>447,777</u>	<u>468,291</u>	<u>350,508</u>	<u>309,198</u>
Total Debt Service	<u>\$ 1,045,625</u>	<u>\$ 1,045,425</u>	<u>\$ 1,047,351</u>	<u>\$ 1,046,376</u>	<u>1,044,533</u>	<u>1,042,431</u>	<u>1,042,777</u>	<u>1,043,291</u>	<u>490,508</u>	<u>609,198</u>
Coverage ratio * (Revenues/Debt Service)	2.19	1.74	1.68	1.48	1.90	1.45	1.50	1.30	1.97	1.72
* Does not include amounts held in bond reserves	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,061,800	\$ 1,061,800	\$ 1,067,754	\$ 1,067,754	\$ 1,067,754	\$ 642,683

Source: Tri-Cities Airport Commission Activity Reports

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 11:**  
**Ratios of Outstanding Debt and Debt Service**  
**Last Ten Fiscal Years (unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Outstanding Debt Per Enplaned Passenger</b>										
Outstanding Debt:										
Airport Revenue Bonds	\$ 5,135,000	\$ 5,885,000	\$ 6,605,000	\$ 7,300,000	\$ 7,970,000	\$ 8,615,000	\$ 9,230,000	\$ 9,825,000	\$10,400,000	\$ 5,240,000
Enplaned Passengers	223,377	217,342	202,014	210,431	213,081	205,295	226,996	236,734	202,882	200,548
Outstanding Debt Per Enplaned Passenger	\$ 23	\$ 27	\$ 33	\$ 35	\$ 37	\$ 42	\$ 41	\$ 42	\$ 51	\$ 26
<b>Debt Service</b>										
Principal	750,000	720,000	695,000	670,000	645,000	615,000	595,000	575,000	140,000	300,000
Interest	295,625	325,425	352,351	376,376	399,533	427,431	447,777	468,291	350,508	309,198
<b>Total Debt Service</b>	<u><b>1,045,625</b></u>	<u><b>1,045,425</b></u>	<u><b>1,047,351</b></u>	<u><b>1,046,376</b></u>	<u><b>1,044,533</b></u>	<u><b>1,042,431</b></u>	<u><b>1,042,777</b></u>	<u><b>1,043,291</b></u>	<u><b>490,508</b></u>	<u><b>609,198</b></u>
Operating expenses	\$ 5,422,576	\$ 5,347,016	\$ 5,101,080	\$ 5,431,972	\$ 5,415,059	\$ 5,415,312	\$ 5,484,486	\$ 5,333,989	\$ 4,902,809	\$ 4,784,038
<b>Total</b>	<u><b>\$6,468,201</b></u>	<u><b>\$6,392,441</b></u>	<u><b>\$6,148,431</b></u>	<u><b>\$6,478,348</b></u>	<u><b>\$6,459,592</b></u>	<u><b>\$6,457,743</b></u>	<u><b>\$6,527,263</b></u>	<u><b>\$6,377,280</b></u>	<u><b>\$ 5,393,317</b></u>	<u><b>\$5,393,236</b></u>
Ratio of debt service to Total Expenses	<u>16.2%</u>	<u>16.4%</u>	<u>17.0%</u>	<u>16.2%</u>	<u>16.2%</u>	<u>16.1%</u>	<u>16.0%</u>	<u>16.4%</u>	<u>9.1%</u>	<u>11.3%</u>
Debt Service per Enplaned Passenger	\$ 4.68	\$ 4.81	\$ 5.18	\$ 4.97	\$ 4.90	\$ 5.08	\$ 4.59	\$ 4.41	\$ 2.42	\$ 3.04

Source: Audited Financial Statements

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 12:**  
**Passenger Facility Charges**  
**Last Ten Fiscal Years (unaudited)**

<b>Airline</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Allegiant Air	\$ 145,849	158,203	160,690	171,223	92,092	-	-	-	-	-
Delta	430,135	391,037	393,130	320,918	387,486	291,228	314,364	340,036	267,296	273,782
US Airways	229,086	211,119	204,014	212,194	238,354	156,214	165,297	170,816	159,186	182,179
Northwest	-	0	4,328	62,851	88,540	54,197	68,139	73,406	67,645	49,249
American	54,725	70,835	2,280	-	-	833	-	15,923	15,866	19,691
United	24,324	20,162	18,408	-	-	-	-	20,400	18,014	-
Other	-	27,940	7,647	76,296	26,185	36,384	35,292	7,962	9,483	10,514
Total PFC Revenue	\$ 884,120	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657	\$ 538,856	\$ 583,092	\$ 628,543	\$ 537,490	\$ 535,415
Interest Earned	5,407	9,690	14,211	11,536	10,142	10,077	11,063	6,270	1,820	4,943
Total PFC Related Revenue	<u>\$ 889,527</u>	<u>\$ 888,986</u>	<u>\$ 804,708</u>	<u>\$ 855,018</u>	<u>\$ 842,799</u>	<u>\$ 548,933</u>	<u>\$ 594,155</u>	<u>\$ 634,813</u>	<u>\$ 539,310</u>	<u>\$ 540,358</u>
<b>Enplaned Passengers</b>	<b>221,681</b>	<b>217,342</b>	<b>202,014</b>	<b>210,431</b>	<b>213,081</b>	<b>205,295</b>	<b>226,996</b>	<b>236,734</b>	<b>202,882</b>	<b>200,548</b>
<b>% of Passengers</b>	<b>90.8%</b>	<b>92.2%</b>	<b>89.1%</b>	<b>91.3%</b>	<b>89.0%</b>	<b>90.8%</b>	<b>88.9%</b>	<b>91.9%</b>	<b>90.7%</b>	<b>91.4%</b>

Source: PFC Quarterly Reports

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 13:**  
**Customer Facility Charges**  
**Last Ten Fiscal Years (unaudited)**

<b>Rental Car</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003 (1)</b>
Alamo	\$ 31,806	\$ 33,237	\$ 28,413	\$ 21,413	\$ 22,484	\$ 22,701	\$ 21,609	\$ 18,938	\$ 15,120	\$ 1,074
Avis	68,782	83,511	79,902	66,276	80,675	85,176	90,804	88,825	91,878	50,082
Budget	71,608	78,903	72,729	67,508	64,267	59,374	63,441	51,221	46,014	29,082
Enterprise (2)	58,234	21,222	-	-	-	-	-	-	-	-
Hertz	67,635	73,611	76,833	61,866	79,555	87,059	95,508	94,649	90,138	48,768
National	81,760	64,926	49,140	36,666	44,247	41,027	45,164	42,321	50,526	33,792
Total CFC Revenue	\$ 379,825	\$ 355,410	\$ 307,017	\$ 253,729	\$ 291,228	\$ 295,337	\$ 316,526	\$ 295,954	\$ 293,676	\$ 162,798
Interest Earned	1,105	1,522	2,706	4,451	5,361	6,486	6,548	2,265	97	29
Total CFC Related Revenue	<u>\$ 380,930</u>	<u>\$ 356,932</u>	<u>\$ 309,723</u>	<u>\$ 258,180</u>	<u>\$ 296,589</u>	<u>\$ 301,823</u>	<u>\$ 323,074</u>	<u>\$ 298,219</u>	<u>\$ 293,773</u>	<u>\$ 162,827</u>

Amount per contract	\$ 9.00	\$ 9.00	\$ 9.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 6.00	\$ 6.00
Debt Service Payments	\$ 299,086	\$ 299,159	\$ 302,201	\$ 301,326	\$ 303,797	\$ 298,652	\$ 300,359	\$ 252,182	\$ 237,434	\$ -

(1) Note: The customer facility charge was first collected during the 2003 fiscal year. Therefore, a full twelve months was not collected.

(2) Prior to 2011 Enterprise was located off of the airport and, therefore, was not required to charge the Customer Facility Charge.

Source: Audited Financial Statements

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 14:**  
**Demographic Data - Population**  
**Last Ten Calendar Years (unaudited)**

<b>Calendar Year</b>	<b>Air Trade Area</b>	<b>Tennessee</b>
2011	586,168	6,403,353
2010	584,319	6,346,105
2009	576,196	6,306,019
2008	573,265	6,214,888
2007	569,644	6,156,719
2006	565,722	6,038,803
2005	493,023	5,962,959
2004	487,990	5,900,962
2003	485,884	5,689,283
2002	482,934	5,797,289

Source: US Census Bureau

**Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA**

**TABLE 15:  
Demographic Data - Per Capita Income  
Last Ten Calendar Years (unaudited)**

<b>Calendar Year</b>	<b>Air Trade Area</b>	<b>Tennessee</b>
2010 *	31,636	34,921
2009	31,770	33,802
2008	30,287	35,126
2007	28,173	33,395
2006	26,884	32,172
2005	26,383	31,107
2004	24,429	28,641
2003	24,137	28,455

\* - Most recent year available.

Source: US Dept. of Commerce Bureau of Economic Analysis

**Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA**

**TABLE 16:  
Demographic Data - Unemployment Rate Percentage  
Last Ten Calendar Years (unaudited)**

<b>Calendar Year</b>	<b>Air Trade Area</b>	<b>Tennessee</b>
2011	7.6%	9.2%
2010	8.5%	9.8%
2009	9.3%	10.8%
2008	7.0%	6.7%
2007	4.7%	4.8%
2006	4.7%	5.2%
2005	5.4%	5.6%
2004	5.5%	5.4%
2003	5.9%	5.7%
2002	4.7%	5.3%

Source: US Bureau of Labor Statistics

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 17:**  
**Demographic Data**  
**Top 10 Employers in Region (unaudited)**

<b>Rank</b>	<b>Company</b>	<b>Employees</b>	<b>Percentage</b>	<b>Industry</b>
1	K-VA-T Food Stores, Inc.	13,033	31.4%	Retail/ Supermarkets
2	Mountain State Health Alliance	6,683	16.1%	Health Care
3	Eastman Chemical Company	6,675	16.1%	Chemical, Fibers & Plastics
4	Wellmont Health Systems	4,849	11.7%	Health Care
5	East Tennessee State University	2,280	5.5%	Higher Education
6	James H. Quillen VA Medical Center	2,000	4.8%	Health Care
7	Citigroup	1,700	4.1%	Customer Service Call Center
8	Sullivan County Dept of Education	1,646	4.0%	Public Education
9	Advanced Call Center Technologies	1,358	3.3%	Customer Service Call Center
10	Hawkins County Schools	1,300	3.1%	Public Education

Source: The 2012 Business Journal 'The Book of Lists'



Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA  
TABLE 18:  
Employees by Department \*  
Last Ten Fiscal Years (unaudited)

	Fiscal Years Ending June 30									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Maintenance	9	9	9	9	8	9	9	9	7	9
Access Control	0	1	1	1	1	1	1	1	1	1
Public Safety	15	14	13	15	16	16	14	16	15	16
Janitorial	6	6	6	9	10	9	9	10	10	10
Airport Services	1	1	2	2	3	3	3	3	3	3
Marketing	2	3	3	3	3	3	3	3	3	3
Air Cargo & Trade Dev	1	1	1	1	1	2	3	3	3	3
Ground Handling	1	1	1	1	1	0	0	0	0	0
Administration	9	9	9	10	10	9	10	10	9	8
Total Full-Time Employees	<u>44</u>	<u>45</u>	<u>45</u>	<u>51</u>	<u>53</u>	<u>52</u>	<u>52</u>	<u>55</u>	<u>51</u>	<u>53</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
-- Part-time Employees --					
Ground Handling Services	8	7	10	11	11
Access Control	6	6	6	6	6
Airport Services	1	2	1	1	1
Maintenance	0	0	0	0	2
Public Safety	2	2	2	0	0
Janitorial	3	3	1	0	0
Admin	1	1	1	0	0
Total Part-Time Employees	<u>21</u>	<u>21</u>	<u>21</u>	<u>18</u>	<u>20</u>

\* - Based on current active employees as of June 30, 2012.

Source: Tri-Cities Airport Commission Payroll Records

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 19:**  
**Insurance in Force (unaudited)**  
**June 30, 2012**

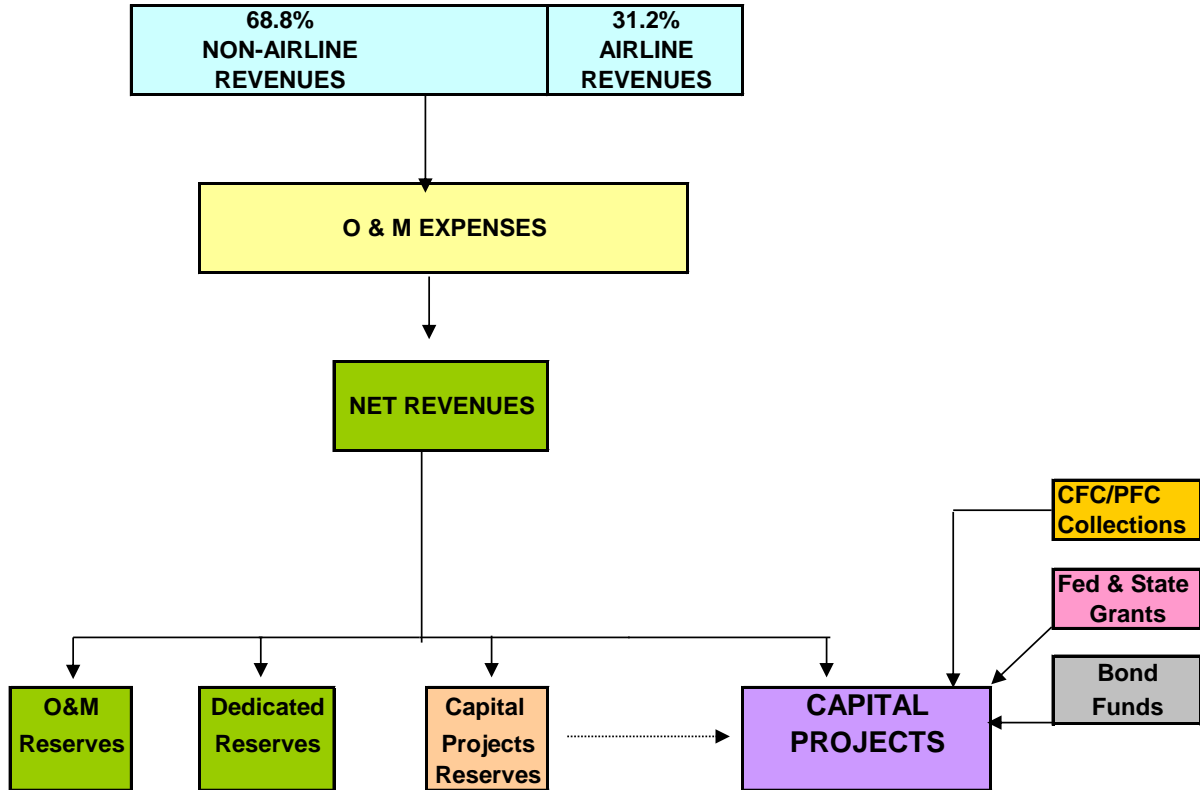
<b>Type of Policy</b>	<b>Policy Insurer</b>	<b>Expiration Date</b>	<b>Policy Limit</b>	<b>Risk Coverage</b>
Airport Liability	ACE	3/31/2013	\$50,000,000	General Liability
Excess Liability	ACE	3/31/2013	\$25,000,000	Over \$1M for Auto & 1M Employment Liability
Automobile	Cincinnati Ins. Co.	3/31/2013	\$1,000,000	Bodily Injury and Property Damage, Comp/Collision, Non-owned vehicles
Property	Cincinnati Ins. Co.	3/31/2013	\$36,111,316	Buildings, contents, flood, earthquake.
Personal Property	Cincinnati Ins. Co.	3/31/2013	\$2,009,561	
Business Income	Cincinnati Ins. Co.	3/31/2013	\$1,000,000	Loss of Business
Employee Liability	Cincinnati Ins. Co.	3/31/2013	\$1,000,000	Employee Benefits Liability
Equipment	Cincinnati Ins. Co.	3/31/2013	\$1,499,212	inc mobile
Public Officials	AIG/National Union	3/31/2013	\$5,000,000	Airport Commissioners
	AIG/National Union	3/31/2013	\$5,000,000	Employment Practices
Crime/Fidelity	Cincinnati Ins. Co.	3/31/2013	\$250,000	Faithful Performance Computer Fraud
Worker's Comp	USAIG/Liberty Mutual	3/31/2013	By Law	Employer's liability
	USAIG/Liberty Mutual	3/31/2013		Employee bodily injury
Health/Medical	United Healthcare	12/31/2012		Medical/Rx/Vision
Dental	MetLife	12/31/2012		Dental
Life	MetLife	12/31/2012		Life/AD&D
Voluntary Products	MetLife USAA AFLAC	12/31/2012		S/T, L/T disability, additional life, dependent coverage, cancer & accident

**Tri-Cities Airport Commission**  
**Tri-Cities Regional Airport, TN/VA**  
**TABLE 20:**  
**Capital Asset Allocation and Funding**  
**Last Ten Fiscal Years**

<b>SOURCE OF FUNDS</b>	<b>FY 2012</b>	<b>FY 2011</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>	<b>FY 2004</b>	<b>FY 2003</b>
Federal Funds	\$ 1,730,504	\$ 2,580,825	\$ 5,170,594	\$ 5,096,784	\$ 3,305,742	\$ 2,154,764	\$ 6,318,155	\$ 1,819,123	\$ 2,876,129	\$ 1,863,803
State Funds	3,090,754	1,060,080	1,603,422	2,388,604	1,024,520	912,330	1,248,508	747,610	520,812	310,637
Local Funds	-	-	-	-	-	-	80,164	105,271	2,325	435
Bond Funds	-	-	-	-	-	-	1,907,957	1,739,203	-	-
Airport Funds	495,437	585,931	1,378,032	731,117	115,783	283,444	244,472	942,984	619,807	445,327
<b>TOTAL SOURCE OF FUNDS</b>	<b>\$ 5,316,695</b>	<b>\$ 4,226,836</b>	<b>\$ 8,152,048</b>	<b>\$ 8,216,505</b>	<b>\$ 4,446,045</b>	<b>\$ 3,350,538</b>	<b>\$ 9,799,256</b>	<b>\$ 5,354,191</b>	<b>\$ 4,019,073</b>	<b>\$ 2,620,202</b>
<b>USE OF FUNDS</b>										
Land	\$1,393,176	\$471,083	\$1,007,132	\$700,492	\$719,530	1,523,645	1,601,557	-	611,693	(15,284)
Construction-In-Progress	(3,722,980)	(68,823)	460,791	6,573,883	2,104,451	(4,528,067)	1,027,243	3,517,343	(323,740)	(6,758,857)
Runways, Roads, etc.	5,310,193	2,900,891	6,342,221	494,802	87,479	4,506,185	1,542,944	231,568	3,083,562	8,303,199
Parking Lot	3,500	-	-	34,359	1,245,403	56,150	963,614	1,333,911	403,323	-
Terminal Building	1,808,904	-	11,359	123,285	63,017	846,523	58,494	140,503	37,116	190,865
Other Buildings	109,504	22,703	124,262	-	53,630	586,946	3,788,505	82,417	-	-
Equipment and Vehicles	414,398	900,982	91,046	235,252	172,535	359,156	786,899	48,449	207,119	900,279
Master Plans	-	-	115,237	54,432	-	-	30,000	-	-	-
<b>TOTAL USE OF FUNDS</b>	<b>\$ 5,316,695</b>	<b>\$ 4,226,836</b>	<b>\$ 8,152,048</b>	<b>\$ 8,216,505</b>	<b>\$ 4,446,045</b>	<b>\$ 3,350,538</b>	<b>\$ 9,799,256</b>	<b>\$ 5,354,191</b>	<b>\$ 4,019,073</b>	<b>\$ 2,620,202</b>

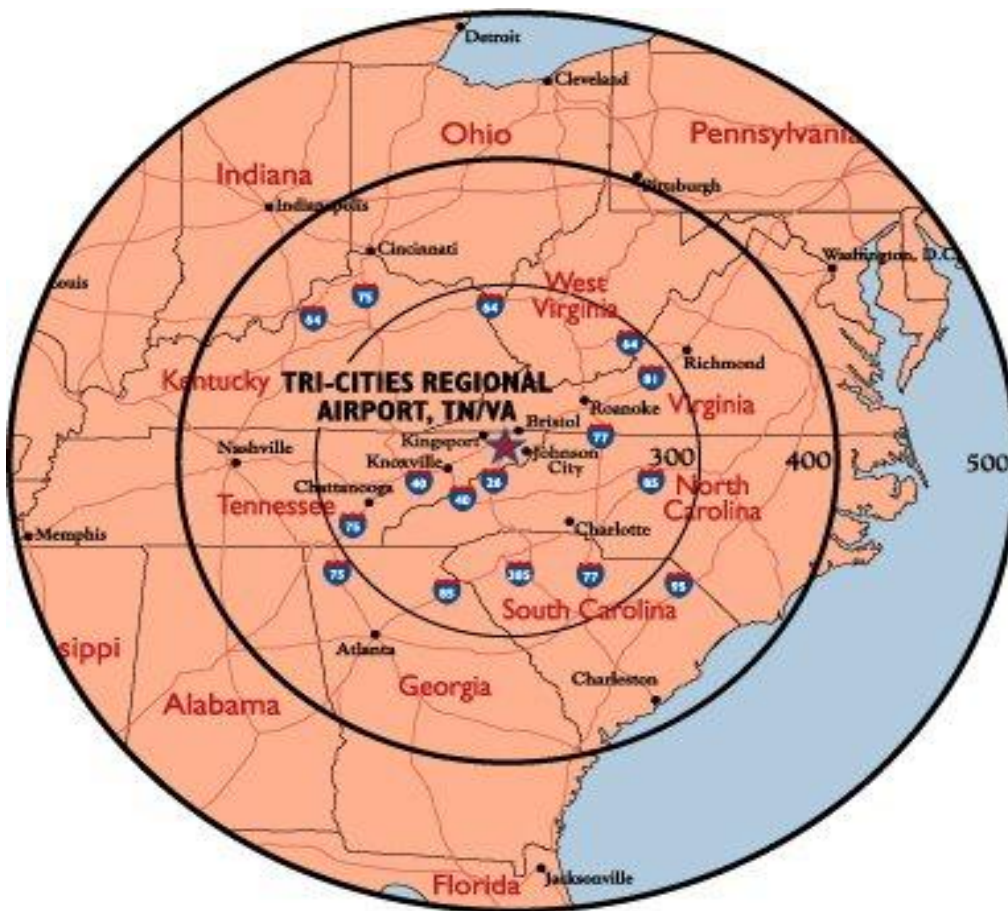
Source: Audited Financial Statements

Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA  
TABLE 21:  
Flow of Funds



***Tri-Cities Airport Commission***  
***TABLE 22:***  
***Location of Airport***

Tri-Cities Regional Airport is centrally located between the cities of Bristol, Tennessee, Bristol, Virginia, Kingsport, Tennessee, and Johnson City, Tennessee. The Airport serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky.



**Tri-Cities Airport Commission  
Tri-Cities Regional Airport, TN/VA**

**TABLE 23:  
Capital Asset Information  
as of June 30, 2012**

Land & Facilities	1,250 acres of land and 89 acres in easements	
Elevation:	1,519 feet above mean sea level	
Airport Code:	TRI = FAA or IATA code (ICAO code = KTRI)	
Runways:	ILS Instrument Runway 5/23 - 8,000 feet x 150 feet (Category II) Secondary Runway 9/27 - 4,442 feet x 150 feet	
Terminal:	Airlines - Exclusive/Joint Use	13,193 sf
	Airlines - Common Use	15,278 sf
	Concessions	13,787 sf
	Public/Common	34,681 sf
	Administration	10,316 sf
	Mechanical	15,366 sf
	Other Leaseable	10,911 sf
	Total	<u><u>113,532 sf</u></u>
	Number of Passenger Gates	7
	Number of Loading Bridges	1
	Number of Concessionaires	4
	Number of Rental Car Agencies	5
Apron:	Commercial Airlines	100,200 sq yds
	Cargo Airlines	174,000 sq ft
	FBO	57,800 sq yds
Parking Spaces:	Long-Term	923
	Short-Term	185
	Surface Overflow	207
	Metered	21
	Employee	103
	Ground Transportation	157
	Total Parking Spaces	<u><u>1,596</u></u>
Cargo:	Air Cargo Logistics Center	13,000 sq ft
International:	U.S. Customs Station No. 2027	
	Foreign Trade Zone No. 204	
Tower:	TRACON	Open: 6:00 am - 11:59 pm 365 days per year
FBO:	Tri-City Aviation, Inc.	85000 sq ft Hangar
		12,000 sf ft Climate Controlled Hangar
		21 Tie-Downs & 11 Plane Ports
		10,000 sq ft FBO Terminal
Corporate:	5 Hangars	
Fuel Facilities:	15,000 gallon AVGAS 100 LL	
	40,000 gallon Jet A	

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## Internal Control and Compliance

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters
- Independent Auditors' Report on Compliance
- Schedule of Findings and Questioned Costs
- Passenger Facility Charges Section



TRI-CITIES REGIONAL AIRPORT  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Honorable Commissioners  
of the Tri-Cities Airport Commission  
P.O. Box 1055  
Blountville, Tennessee 37617

We have audited the financial statements of the Tri-Cities Airport Commission (the Commission) as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Tri-Cities Airport Commission  
Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters

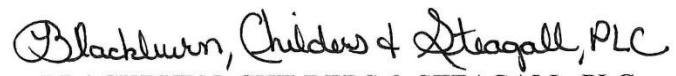
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tri-Cities Airport Commission, in a separate letter dated November 20, 2012.

This report is intended solely for the information and use of the management, the finance committee, the Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 20, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Commissioners  
of the Tri-Cities Airport Commission  
P.O. Box 1055  
Blountville, Tennessee 37617

Compliance

We have audited the compliance of the Tri-Cities Airport Commission (the Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Tri-Cities Airport Commission's major federal programs for the fiscal year ended June 30, 2012. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Tri-Cities Airport Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.


Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance committee, the Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 20, 2012

TRI-CITIES AIRPORT COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012

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Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Tri-Cities Airport Commission.
2. There were no significant deficiencies on the Airport's internal control disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Tri-Cities Airport Commission were disclosed during the audit.
4. There were no significant deficiencies noted on the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Tri-Cities Airport Commission expresses an unqualified opinion. All funds paid and property or services transferred were paid in a manner consistent with 49 U.S.C. paragraph 47107(b) and FAA's Policy and Procedures regarding the use of airport revenue.
6. There were no audit findings relative to the major federal award programs.
7. The program tested as a major program was the Airport Improvement Program CFDA #20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Tri-Cities Airport Commission was determined to be a low risk auditee.

Financial Statement Findings

There were no financial statement findings.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs in regard to the major federal award programs audit.

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Passenger Facility

Charges



TRI-CITIES REGIONAL AIRPORT  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Commissioners  
of the Tri-Cities Airport Commission  
P.O. Box 1055  
Blountville, TN 37617

**Compliance**

We have audited the compliance of the Tri-Cities Airport Commission (the Commission), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program for the fiscal year ended June 30, 2012. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the fiscal year ended June 30, 2012.

**Internal Control Over Compliance**

Management of the Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program that we consider to be material weaknesses, as defined above.

#### Schedule of Passenger Facility Charges, Investment Income, and Related Expenditures

We have audited the financial statements of the Commission as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying schedule of passenger facility charges, investment income, and related expenditures is presented for purposes of additional analysis as specified in the Guide and is not a required part of the financial statements. This schedule is the responsibility of the management of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Commissioners, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 20, 2012

TRI-CITIES AIRPORT COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
PASSENGER FACILITY CHARGE PROGRAM  
JUNE 30, 2012

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I. Summary of Auditors' Results

- i. An unqualified report was issued on the financial statements of the Tri-Cities Airport Commission.
- ii. No instances of noncompliance were disclosed by the audit on the Commission's financial statements.
- iii. An unqualified opinion was issued on compliance for the passenger facility charge program.

II. There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. There were no findings related to the passenger facility charge program.

TRI-CITIES AIRPORT COMMISSION  
SCHEDULE OF PASSENGER FACILITY CHARGES,  
INVESTMENT INCOME AND RELATED EXPENDITURES  
For the Year Ended June 30, 2012

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Cash Balance, July 1, 2011					\$ 682,220
Passenger Facility Charges	247,095	232,414	182,383	250,148	912,040
Investment Income	1,673	1,388	1,324	1,028	5,413
Disbursements	-	(117,963)	(40,831)	(650,871)	(809,665)
Cash Balance, June 30, 2012					790,008
Receivable June 30, 2012					108,406
Restricted PFC Funds					<u>\$ 898,414</u>